中油潔能

SINO GAS HOLDINGS GROUP LIMITED
中油潔能控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1759)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019, the revenue increased approximately by 20.8% to approximately RMB673.1 million (for the six months ended 30 June 2018: approximately RMB557.2 million).

For the six months ended 30 June 2019, the profit attributable to equity shareholders of the Company amounted to approximately RMB13.2 million (for the six months ended 30 June 2018: approximately RMB21.4 million).

FINANCIAL STATEMENTS

The board (the "**Board**") directors (the "**Directors**") of Sino Gas Holdings Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018. These consolidated interim financial statements for the six months ended 30 June 2019 are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2019 (Unaudited) (Expressed in Renminbi (RMB))

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Note)
Revenue	*2*	**673,083**	557,168
Cost of sales		**(607,377)**	(457,412)
Gross profit		**65,706**	99,756
Other income	*3*	**8,821**	2,782
Staff costs	*4(b)*	**(20,783)**	(21,025)
Depreciation and amortisation	*4(c)*	**(7,928)**	(6,587)
Operating lease charges	*4(c)*	**(2,768)**	(9,370)
Other operating expenses		**(21,737)**	(23,070)
Profit from operations		**21,311**	42,486
Finance costs	*4(a)*	**(7,578)**	(3,706)
Share of profits/(losses) of joint ventures		**3,502**	(1,422)
Profit before taxation	*4*	**17,235**	37,358
Income tax	*5*	**(7,110)**	(13,025)
Profit for the period		**10,125**	24,333
Attributable to:			
Equity shareholders of the Company		**13,209**	21,440
Non-controlling interests		**(3,084)**	2,893
Profit for the period		**10,125**	24,333
Earnings per share (RMB)			
— Basic and diluted	*6*	**0.06**	0.13

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated. See Note 1(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 (Unaudited) (Expressed in RMB)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Profit for the period	**10,125**	24,333
Other comprehensive income for the period (after tax)		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**22**	–
Total comprehensive income for the period	**10,147**	24,333
Attributable to:		
Equity shareholders of the Company	**13,231**	21,440
Non-controlling interests	**(3,084)**	2,893
Total comprehensive income for the period	**10,147**	24,333

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated. See Note 1(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 (Unaudited) (Expressed in RMB)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	7	**227,271**	156,410
Lease prepayments		**–**	15,373
Interests in joint ventures		**35,352**	37,817
Other financial assets		**13,700**	13,700
Deferred tax assets		**5,797**	5,754
		282,120	229,054
Current assets			
Inventories		**1,585**	3,927
Trade receivables	8	**57,118**	84,096
Prepayments, deposits and other receivables		**80,821**	165,264
Cash at bank and on hand		**279,752**	239,575
		419,276	492,862
Current liabilities			
Bank loans		**261,673**	275,233
Lease liabilities		**44,595**	–
Trade and bills payables	9	**5,576**	36,179
Accrued expenses and other payables		**27,863**	49,071
Income tax payable		**1,627**	3,029
		341,334	363,512
Net current assets		**77,942**	129,350
NET ASSETS		**360,062**	358,404
CAPITAL AND RESERVES			
Share capital		**1,892**	1,892
Reserves		**331,841**	318,588
Total equity attributable to equity shareholders of the Company		**333,733**	320,480
Non-controlling interests		**26,329**	37,924
TOTAL EQUITY		**360,062**	358,404

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated. See Note 1(b).

NOTES

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other investments in equity securities which are stated at their fair values.

(a) Basis of preparation of the financial statements

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including in compliance with International Accounting Standard (the "**IAS**") 34, Interim financial reporting, issued by the International Accounting Standard Board. It was authorised for issue on 28 August 2019.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of the changes in accounting policies are set out in note 1(b).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (the "**IFRS**").

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has expressed an unqualified opinion on those financial statements in its report dated 31 March 2019.

(b) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases along with three interpretations, IFRIC-Int 4, Determining whether an arrangement contains a lease, SIC-Int 15, Operating leases, and SIC-Int 27, Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IFRS 17 and IFRIC-Int 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC-Int 4. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of IFRS 16 does not have an impact on these assets except for the whole balance is now presented as "Prepaid lease payments" under non-current assets.

The Group has elected not to include in initial direct costs when measuring the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to any accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expenses on a straight-line basis over the remaining lease term.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.65%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	At 1 January 2019 *RMB'000*
Total operating lease commitments at 31 December 2018	67,997
Recognition exemptions:	
— Leases with remaining lease term of less than 12 months	(3,860)
— Lease of low-value assets	–
Operating leases liabilities before discounting	64,137
Interest expenses discounted using incremental borrowing rate	(16,228)
Total lease liabilities recognised at 1 January 2019	47,909

The following table summarises the impact of transition to IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

Increase in right-of-use assets	47,909
Increase in lease liabilities	47,909

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**"). Further details regarding the Group's principal activities are disclosed in Note 2(b).

Disaggregation of revenue from contracts with customers by major products is as follows.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
— LPG	**500,960**	455,215
— CNG	**149,990**	91,926
— LNG and others	**22,133**	10,027
	673,083	557,168

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail: This segment principally generates revenue from the sale of LPG, CNG and LNG to vehicular end-users by operating gas refuelling stations, industrial customers and bottled LPG end-users.

- Wholesale: This segment principally generates revenue from the sale of LPG, CNG and LNG to gas merchants.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the cost of sales incurred by those segments. The measure used for reporting segment result is gross profit. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other income and expenses, such as staff costs, depreciation and amortisation, operation lease charges and other operation expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

	Retail		**Wholesale**		**Total**	
	Six months ended 30 June					
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers and reportable segment revenue	**201,812**	244,993	**471,271**	312,175	**673,083**	557,168
Reportable segment gross profit	**56,139**	95,225	**9,567**	4,531	**65,706**	99,756

(ii) Reconciliation of reportable segment results to consolidated profit before taxation

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Total reportable segment gross profit	**65,706**	99,756
Other income	**8,821**	2,782
Staff costs	**(20,783)**	(21,025)
Depreciation and amortisation	**(7,928)**	(6,587)
Operating lease charges	**(2,768)**	(9,370)
Other operating expenses	**(21,737)**	(23,070)
Finance costs	**(7,578)**	(3,706)
Share of profits/(losses) of joint ventures	**3,502**	(1,422)
Consolidated profit before taxation	**17,235**	37,358

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen,comparative information is not restated. See Note 1(b).

3 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**125**	–
Interest income	**1,326**	975
Rental income	**1,198**	690
Net loss on disposal of property, plant and equipment	**(50)**	(96)
Net foreign exchange gain	**–**	68
Consultancy service income	**–**	943
Net gain on disposal of subsidiaries	**5,167**	–
Others	**1,055**	202
	8,821	2,782

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**6,202**	3,706
Amortisation of lease liabilities	**1,376**	–
	7,578	3,706

No borrowing costs have been capitalised during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil).

(b) Staff costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**19,226**	19,449
Contributions to defined contribution retirement plans	**1,557**	1,576
	20,783	21,025

(c) Other items:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Depreciation and amortisation	**7,928**	6,587
Operating lease charges in respect of buildings and properties, and land use rights	**2,768**	9,370
Reversal of impairment losses/Impairment losses on trade receivables	**(28)**	21
Cost of inventories	**607,377**	457,412

5 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Corporate Income Tax for the period	**7,153**	12,884
Deferred tax		
Origination and reversal of temporary differences	**(43)**	141
	7,110	13,025

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(ii) The Company and the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%). These companies did not have assessable profits for six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil).

(iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

6 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2019 is calculated based on the profit attributable to equity shareholders of the Company of RMB13,209,000 and the weighted average of 216,000,000 ordinary shares.

The basic earnings per share for the six months ended 30 June 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB21,440,000 and the weighted average of 162,000,000 ordinary shares, comprising 10,000 ordinary shares in issue as at the date of the Prospectus and 161,990,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 162,000,000 ordinary shares were outstanding throughout the six month ended 30 June 2018.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding throughout the six months ended 30 June 2019 and 2018.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

For the six months ended 30 June 2019, the Group's capital expenditure on property, plant and equipment amounted to approximately RMB11.1 million (six months ended 30 June 2018: approximately RMB20.2 million). Property, plant and equipment with a net carrying amount of approximately RMB4.9 million were disposed during the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB0.1 million), contributing to loss on disposal of RMB50,000 (six months ended 30 June 2018: RMB96,000).

(b) Right-of-use assets

As set out in Note 1(b), the Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balance as at 1 January 2019 to recognise lease-related right-of-use assets which were previously classified as operating leases under IAS 17. Further details of the net carrying amount of the Group's right-of-use assets by types of underlying assets are set out in Note 1(b).

8 TRADE RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables due from:		
— third parties	**49,998**	66,658
— related parties	**7,251**	17,597
	57,249	84,255
Less: loss allowance	**(131)**	(159)
Financial assets measured at amortised cost	**57,118**	84,096

Ageing analysis

At of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	**32,296**	59,335
1 to 3 months	**24,822**	24,761
	57,118	84,096

9 TRADE AND BILLS PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables	**5,576**	679
Bills payables	**–**	35,500
Financial liabilities measured at amortised cost	**5,576**	36,179

As of the end of the reporting period, the ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	At **30 June** **2019** ***RMB'000***	At 31 December 2018 *RMB'000*
Within 1 month	**5,576**	35,874
1 to 3 months	**–**	305
	5,576	36,179

10 DIVIDENDS

Dividends payable to equity shareholders of the Company for the interim period

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil).

11 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under the method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 1(b).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2019, the supply and demand of international crude oil was relatively complicated. The international crude oil price was in an overall upward trend in the first quarter of 2019, but fell significantly and abruptly in May and June. Affected by the fluctuation of international crude oil price and the impact of Sino-US trade war, the energy market in China faced new challenges. In response to complicated conditions in international environment, China implemented various practical policies such as large scale tax cuts, which effectively created growing space for China's economy. China's economy continued to maintain a generally stable development trend with favourable momentum, and recorded a year-on-year increase of 6.3% in its gross domestic product in the first half of 2019.

With increasing demand for energy in different industries driven by the stable development of domestic economy, clean energy remained to be an important focus for energy development of China. Currently, natural gas takes up a steadily rising proportion in China's energy structure with an increasing growth rate. In the first half of 2019, the total consumption of natural gas in China reached 146.5 billion cubic meters, representing a year-on-year increase of 8.9%. According to the National Development and Reform Commission, in May 2019, China's natural gas production amounted to 14.4 billion cubic meters, representing an increase of 12.9% over the same period of last year; imported natural gas amounted to 10.43 billion cubic meters, representing an increase of 2.0% over the same period of last year; and apparent consumption of natural gas amounted to 24.53 billion cubic meters, representing an increase of 8.1% over the same period of last year. With the implementation of various natural gas supporting policies in China, the utilization of natural gas in transportation continued to grow steadily. The market of natural gas fueled heavy trucks in China reached a milestone in the first half of 2019 with a sales volume of 85,000 units, representing an increase of 3.1 times over the same period of last year, and is expected to continue to operate at a high level. China vigorously promoted the use of natural gas to replace coal, which greatly facilitated the rapid development of natural gas industry. To support the industrial use of natural gas to replace coal, we leveraged on our advantages in stable gas supply, pricing and service quality to modify and install relevant equipment for various major industrial users and offered stable supply of natural gas. Meanwhile, China is also accelerating the supply-side structural reform in energy industry, enabling the energy supply to better adapt to changes in energy consumption demand. To support China's adjustment in energy structure, in addition to providing quality services to vehicular end-users of natural gas, we actively expanded to the industrial natural gas sector, increased the efforts in construction of natural gas terminals, strengthened the comprehensive utilization of natural gas, and proactively extending to the downstream.

For the LPG, the People's Republic of China (the "**PRC**") total LPG product imports were 9.87643 million tons for the first half of 2019. Influenced by the changes in the structure of the national energy, the LPG as the fuel would be bound to certain constructions in the transportation energy field, but with the intensification of the PRC's urbanization, the situation of the LPG as domestic fuel has encountered great changes, and there has been an continuously increasing number of LPG users in the rural area. Meanwhile, with the improvement of the residents' living standards, people have had a higher demand in the product, and some ceramics, electrical appliances, glass products and other industries required LPG to replace the original fuel, which further broadened the application range of LPG, and we are also actively exploring and developing in the domestic gas market.

BUSINESS REVIEW

The Group is an integrated LPG and natural gas supplier in the PRC with a complete industry chain with over 13 years of proven track records in the industry. The Group mainly engages in the operations of LPG, CNG and LNG vehicle refuelling stations, LPG domestic stations, CNG mother stations and LPG and CNG wholesale businesses in Guangdong and Henan Province.

For the six months ended 30 June 2019, the Group has recorded revenues of approximately RMB673.1 million, representing an increase of approximately RMB115.9 million from RMB557.2 million for the six months ended 30 June 2018. The increase was mainly attributable to the increase of revenue from the LPG, CNG and LNG businesses during the period.

As at 30 June 2019 and as at the date of this announcement, we operated a total of 23 stations. Amongst the vehicular refuelling stations and domestic stations, 16 are our self-owned stations and 5 are jointly-owned stations. One CNG mother station is wholly-owned and one CNG mother station is jointly-owned.

The number of our stations in operation as at the indicated dates are set out below:

	As at 30 June 2019	As at 31 December 2018
LPG stations	**8**(1)	9
CNG stations	**12**	12
LNG station	**1**	1
Subtotal	**21**	22
CNG mother stations	**2**	2
Total	**23**	24

The breakdown of the stations in operation by cities and provinces as at 30 June 2019 are set out below:

City, Province	LPG	LNG	CNG	Total number of stations
Guangzhou, Guangdong Province	6	1	0	7
Jiangmen, Guangdong Province	2[(2)]	0	0	2
Total number of stations in Guangdong Province	**8**	**1**	**0**	**9**
Xinyang, Henan Province	0	0	1[(3)]	1[(3)]
Zhengzhou, Henan Province	0	0	8	8
Zhumadian, Henan Province	0	0	3[(4)]	3[(4)]
Xinzheng, Henan Province[(5)]	0	0	2[(6)]	2[(6)]
Total number of stations in Henan Province	**0**	**0**	**14**	**14**
Total	**8**	**1**	**14**	**23**

Notes:

1. The Group disposed of the LPG domestic station in Ganzhou city of Jiangxi Province in May 2019.

2. The two LPG domestic stations are owned by the jointly controlled entity Jiangmen Xinjiang Gas Company Limited（江門市新江煤氣有限公司）("**Jiangmen Xinjiang Gas**") which is one of our jointly controlled entities and is not our subsidiary.

3. The CNG vehicular refuelling stations are owned by the jointly controlled entity Henan Blue Sky Sino Gas Technology Company Limited（河南藍天中油潔能科技有限公司）("**Henan Blue Sky**") which is one of our jointly controlled entities and is not our subsidiary.

4. It encompasses one CNG mother station and two CNG vehicular refuelling stations in Zhumadian City, Henan Province, which are owned by the jointly controlled entity Henan Blue Sky.

5. Xinzheng City is one of the county-level cities under the jurisdiction of Zhengzhou City, Henan Province.

6. It also encompasses one CNG mother station in Xinzheng City, Henan Province.

The revenue by our product mix for the six months ended 30 June 2019 and 2018 are summarized as below:

	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Sales Volume *(Note)*	**Revenue** *(RMB'000)*	**Percentage of revenue** *(%)*	Sales Volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**9,931**	**59,326**	**8.81%**	25,632	152,548	27.4%
CNG	**42.32**	**139,944**	**20.79%**	28.8	90,737	16.3%
LNG	**510**	**2,542**	**0.38%**	348	1,708	0.3%
Sub-total		**201,812**	**29.98%**		244,993	44.0%
Wholesale						
LPG	**124,129**	**441,634**	**65.61%**	82,988	302,667	54.3%
CNG	**3.48**	**10,046**	**1.49%**	0.4	1,189	0.2%
LNG	**2,123**	**8,387**	**1.25%**	1,394	6,050	1.1%
Sub-total		**460,067**	**68.35%**		309,906	55.6%
Logistic service		**11,204**	**1.67%**		2,269	0.4%
Total		**673,083**	**100%**		557,168	100%

Note: Sales volume for LPG and LNG are measured in tonnes and sales volume for CNG is measured in million cubic metres.

OUTLOOK AND PROSPECTS

Facing numerous opportunities and challenges in the first half of 2019, we supported the implementation of national policies and proactively adjusted our industry layout to expand our business coverage to various sectors such as civil energy, industrial energy, modification for comprehensive energy utilization and chemical products. We persistently diversified and expanded our business, proactively explored new markets, attracted new customers and expanded the retail and wholesale markets, which contributed to the continuous growth in product sales and revenue.

Going forward, the Group will continue to improve the industrial chain (including procurement and logistics in upstream and distribution in downstream), proactively develop our major businesses in LPG, LNG and CNG, continue to strengthen our market position in Southern China and Henan Province, and deepen our industrial structure based on our clean energy strategic plan.

For LPG, we will continuously explore the markets of domestic gas and industrial gas. We are looking for suitable projects of LPG domestic stations and plan to obtain the license for operation of LPG domestic stations to further achieve new breakthroughs in LPG retail business. In the first half of 2019, the number of our industrial customers increased, and in the second half of the year, we will continue to seek industrial users to expand the industrial market. Meanwhile, to enlarge the sales scale, we are steadily implementing our LPG storage expansion project.

For natural gas, the Group will fully grasp the favourable momentum in natural gas market, leverage on the established and smoothly running supply system covering the whole industrial chain (including CNG mother station, logistics and daughter station), and continue to pursue vertical integration opportunities in developing new stations, thereby strengthening our market position and enhancing our competitiveness. We will continue to actively explore new gas sources to lay a solid foundation for stable use of gas source and cost reduction in the next step. In the next step, we will seize the opportunities from favourable policies in relation to "Coal to Gas" and heavy trucks, and strive to capture a larger market share in transportation energy and industrial energy supply sectors. Meanwhile, we will also try to explore the pipeline gas sector in domestic user market.

For logistics service, we will further enhance our logistic service capability, expand our fleet size, and increase the capacity of resource distribution and supply in upstream and downstream.

As an integrated gas supplier, the Group will continue to explore the development potential of different types of clean energy, and put great efforts in the clean energy sector, continue to provide clean and low-carbon energy, thereby achieving new development and business growth for the Group and creating greater value for our shareholders, customers, partners and employees.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group has recorded revenues of approximately RMB673.1 million, representing an increase of approximately RMB115.9 million from approximately RMB557.2 million in the corresponding period in 2018. The increase was mainly attributable to the increase of revenue from the LPG, CNG and LNG businesses during the period.

Cost of Sales and Gross Profit

The Group's cost of sales primarily consisted of all costs of procuring LPG, CNG and LNG from the Group's suppliers and logistic services providers for transporting gases. The Group's cost of sales increased by approximately RMB150.0 million from approximately RMB457.4 million in the corresponding period in 2018 to approximately RMB607.4 million for the six months ended 30 June 2019, which was mainly due to the increase in the overall purchase volumes of LPG and natural gas.

For the six months ended 30 June 2019, the gross profit of the Group was approximately RMB65.7 million, representing a decrease of approximately RMB34.1 million compared to approximately RMB99.8 million in the corresponding period in 2018. The decrease in gross profit was affected by the replacement of some LPG vehicles in Guangzhou into electric vehicles and the significant decrease in the sales volume of LPG for vehicles.

Other Income

For the six months ended 30 June 2019, the Group's other income was approximately RMB8.8 million, representing an increase of approximately RMB6.0 million from the Group's other income of approximately RMB2.8 million in the corresponding period in 2018. This was mainly due to the disposal of 30% equity interest in Ganzhou Sino Gas LPG Company Limited to a third party for approximately RMB8.2 million and the disposal of 30% equity interest in Jiangxi Sino Gas Logistics Company Limited for approximately RMB0.9 million in May 2019, with a total net gain of approximately RMB5.2 million.

Staff Costs

For the six months ended 30 June 2019, the Group's staff costs were approximately RMB20.8 million, representing a decrease of approximately RMB0.2 million from the Group's staff costs of approximately RMB21.0 million in the corresponding period in 2018. This was mainly due to the decrease in the number of employees.

Operating Lease Charges

For the six months ended 30 June 2019, the operating lease charges of the Group were approximately RMB2.8 million, representing a decrease of approximately RMB6.6 million from the Group's operating lease charges of approximately RMB9.4 million in the corresponding period in 2018. This was mainly due to the decrease in the terminal rental charges.

Other Operating Expenses

For the six months ended 30 June 2019, the Group's other operating expenses were approximately RMB21.7 million, representing a decrease of approximately RMB1.4 million from the Group's other operating expenses of approximately RMB23.1 million in the corresponding period in 2018.

Finance Costs

For the six months ended 30 June 2019, the Group's finance costs were approximately RMB7.6 million, representing an increase of approximately RMB3.9 million compared to the Group's finance costs of approximately RMB3.7 million in the corresponding period in 2018. This was mainly due to the increase in average bank borrowings balances and the increase in amortization of lease liabilities during the first half of 2019.

Profit Before Taxation

The Group's profit before taxation was approximately RMB17.2 million, representing a decrease of approximately RMB20.2 million from the profit before taxation of approximately RMB37.4 million in the corresponding period in 2018, which was due to the decline in gross profit.

Income Tax

For the six months ended 30 June 2019, the Group's income tax was approximately RMB7.1 million, representing a decrease of approximately RMB5.9 million compared to the income tax of approximately RMB13.0 million in 2018.

Profit for the Period

For the six months ended 30 June 2019, the Group had a net profit of approximately RMB10.1 million, representing a decrease of approximately RMB23.5 million from the Group's adjusted net profit of approximately RMB33.6 million (excluding listing expenses of approximately RMB9.3 million) for the six months ended 30 June 2018.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2019, the financial position of the Group remained stable. As at 30 June 2019, the total value of assets was approximately RMB701.4 million, representing a decrease of approximately RMB20.5 million compared to the total value of assets of approximately RMB721.9 million in 2018. The Group's cash was mainly held for working capital and investment site construction needs.

As at 30 June 2019, the Group had approximately RMB279.8 million in cash and bank balances.

On 28 December 2018, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of global offering of its 54,000,000 ordinary shares, comprising 5,400,000 public offer shares and 48,600,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$2.80 per share (the "**Listing**"). The net proceeds from the Listing after deducting the underwriting commission and related listing expenses payable by the Company, amount to approximately HK$120.3 million. The Company believes that the Listing will allow the Group to access the capital market for raising funds in the future.

Capital Expenditure

The Group purchased property, plant and equipment and land use rights amounted to approximately RMB11.1 million for the six months ended 30 June 2019.

Borrowings

The Group's short-term borrowings as at 30 June 2019 and 31 December 2018 are summarised below:

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Unsecured and unguaranteed	**133,500**	146,000
Secured by bank deposits of the Group	**128,173**	129,233
	261,673	275,233

Employees and Remuneration Policies

As at 30 June 2019, the Group had a total of 593 employees (including joint ventures "**Henan Blue Sky**" and "**Jiangmen Xinjiang Gas**"). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

FOREIGN EXCHANGE EXPOSURE

As all of the operations of the Group are in the PRC, all of the revenue from customers of the Group are derived from activities in the PRC.

As at 30 June 2019, the proceeds received from the Listing were denominated in Hong Kong dollars. Therefore, the foreign exchange risk assumed by us primarily arises from movements in the HKD and RMB exchange rates. During the six months ended 30 June 2019, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. However, future exchange rates of RMB could vary significantly from the current and historical exchange rates as a result of changes in China's political and economic conditions. The management will continue to monitor the foreign exchange exposure and take prudent measures to reduce foreign exchange risks.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 June 2019.

Our finance department is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the general manager, financial controller and the Board, and monitoring the investments on a continuous basis.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2019, the Group held available-for-sale financial assets amounting approximately RMB13.7 million, as a supplemental means to improve utilization of our cash on hand. The Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR JOINT VENTURES

Save as disclosed in this announcement, there were no material acquisitions and disposals of subsidiaries or joint ventures during the six months ended 30 June 2019.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group had operating lease commitments of approximately RMB64.0 million and capital commitments of approximately RMB7.1 million respectively. The Group had no other significant commitments and contingent liabilities as at 30 June 2019.

PLEDGE OF ASSETS

As at 30 June 2019, the Group had no pledged assets.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's shares.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019, except for certain deviation from code provisions A.2.1 and A.1.8 as explained below.

Code provision A.2.1 stipulates that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ji Guang ("**Mr. Ji**") is the Chairman and Chief Executive Officer of the Company.

Mr. Ji is primarily responsible for planning our business and marketing strategies, supervising the overall operations of our Group, and overseeing the daily management of our businesses. As Mr. Ji has been leading the Group as the Chief Executive Officer and actively involved in the core business of the Group since inception, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Ji acting as the Chief Executive Officer and Chairman for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board which comprises executive Directors and three independent non-executive Directors. Major decisions will be made by the Board after discussions and deliberations among Directors, including the independent non-executive Directors who will bring independent judgment during the decision-making process. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

Code provision A.1.8 stipulates that the Company should arrange appropriate insurance coverage in respect of legal action against its directors. Since the Listing, the Company has taken steps in negotiating the appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. In March 2019, the Company has taken out such an insurance policy.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the six months ended 30 June 2019.

REVIEW OF THE CONSOLIDATED INTERIM RESULTS BY AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established the Audit Committee, which consists of three independent non-executive Directors, namely Dr. Zheng Jian Peng (Chairman), Mr. Wang Zhonghua and Mr. Sheng Yuhong. The Audit Committee has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019 with the management of the Group and has agreed with the accounting principles and practices adopted by the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no other significant event of the Group after 30 June 2019 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement was published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinogasholdings.com). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board
Sino Gas Holdings Group Limited
Mr. Ji Guang
Chairman and Executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Ji Guang *(Chairman and Chief Executive Officer)*
Ms. Ji Ling *(Vice-Chairman)*
Ms. Cui Meijian
Mr. Zhou Feng

Independent non-executive Directors:
Mr. Sheng Yuhong
Mr. Wang Zhonghua
Dr. Zheng Jian Peng