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 2020

BUSINESS HIGHLIGHTS

For the six months ended 30 June 2020, the sales volume of liquefied petroleum gas increased by approximately 26.0% to approximately 168.9 thousand tonnes (for the six months ended 30 June 2019: approximately 134.1 thousand tonnes), the sales volume of liquified natural gas increased by approximately 246.2% to approximately 9.0 thousand tonnes (for the six months ended 30 June 2019: approximately 2.6 thousand tonnes), and the sales volume of compressed natural gas decreased by approximately 39.3% to approximately 27.8 million cubic metres (for the six months ended 30 June 2019: approximately 45.8 million cubic metres).

For the six months ended 30 June 2020, the revenue decreased by approximately 6.2% to approximately RMB631.3 million (for the six months ended 30 June 2019: approximately RMB673.1 million).

For the six months ended 30 June 2020, the gross profit decreased by approximately 28.8% to approximately RMB46.8 million (for the six months ended 30 June 2019: approximately RMB65.7 million).

For the six months ended 30 June 2020, the profit for the period decreased by approximately 57.4% to approximately RMB4.3 million (for the six months ended 30 June 2019: approximately RMB10.1million).

For the six months ended 30 June 2020, the profit attributable to equity shareholders of the Company decreased by approximately 56.8% to approximately RMB5.7 million (for the six months ended 30 June 2019: approximately RMB13.2 million).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of 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 2020, together with the comparative figures for the corresponding period in 2019. These consolidated interim financial statements for the six months ended 30 June 2020 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 2020 — unaudited (Expressed in Renminbi ("**RMB**"))*

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**631,333**	673,083
Cost of sales		**(584,553)**	(607,377)
Gross profit	*2(b)*	**46,780**	65,706
Other income	*3*	**10,114**	8,821
Staff costs	*4(b)*	**(19,153)**	(20,783)
Depreciation and amortisation	*4(c)*	**(10,998)**	(7,928)
Operating lease charges	*4(c)*	**(595)**	(2,768)
Other operating expenses	*4(d)*	**(14,418)**	(21,737)
Profit from operations		**11,730**	21,311
Finance costs	*4(a)*	**(3,471)**	(7,578)
Share of (losses)/profits of joint ventures		**(1,091)**	3,502
Profit before taxation	*4*	**7,168**	17,235
Income tax	*5*	**(2,852)**	(7,110)
Profit for the period		**4,316**	10,125
Attributable to:			
Equity shareholders of the Company		**5,742**	13,209
Non-controlling interests		**(1,426)**	(3,084)
Profit for the period		**4,316**	10,125
Earnings per share (RMB)			
— Basic and diluted	*6*	**0.03**	0.06

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020 — unaudited (Expressed in RMB)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**4,316**	10,125
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	**2,660**	22
Total comprehensive income for the period	**6,976**	10,147
Attributable to:		
Equity shareholders of the Company	**8,402**	13,231
Non-controlling interests	**(1,426)**	(3,084)
Total comprehensive income for the period	**6,976**	10,147

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited (Expressed in RMB)

	Note	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Non-current assets			
Property, plant and equipment	7	**231,433**	217,380
Interests in joint ventures		**16,877**	35,070
Other financial assets		**3,350**	4,990
Deferred tax assets		**6,737**	6,645
		258,397	264,085
Current assets			
Inventories		**2,541**	2,174
Trade receivables	8	**102,559**	107,166
Other financial assets		**2,881**	–
Prepayments, deposits and other receivables		**58,451**	53,900
Income tax recoverable		**6,175**	3,739
Cash at bank and on hand		**196,684**	166,315
		369,291	333,294
Current liabilities			
Bank loans		**140,851**	136,370
Trade and bills payables	9	**17,548**	1,474
Accrued expenses and other payables		**41,841**	37,650
Lease liabilities		**5,478**	8,172
		205,718	183,666
Net current assets		**163,573**	149,628
Total assets less current liabilities		**421,970**	413,713
Non-current liabilities			
Other financial liabilities		**–**	463
Lease liabilities		**40,171**	40,426
Deferred tax liabilities		**2,678**	679
		42,849	41,568
NET ASSETS		**379,121**	372,145
CAPITAL AND RESERVES			
Share capital		**1,892**	1,892
Reserves		**350,660**	342,258
Total equity attributable to equity shareholders of the Company		**352,552**	344,150
Non-controlling interests		**26,569**	27,995
TOTAL EQUITY		**379,121**	372,145

NOTES

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(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 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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 30 March 2020.

(b) Changes in accounting policies

The International Accounting Standards Board has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue from contracts with customers by major products or service lines and is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service:		
— LPG	**523,653**	500,960
— CNG	**74,232**	149,990
— LNG	**27,769**	10,929
— Others	**5,679**	11,204
	631,333	673,083

(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, industrial customers and bottled LPG end-users by operating gas refuelling stations.

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

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 2020 and 2019 is set out below.

	Retail		**Wholesale**		**Total**	
	For the six months ended 30 June					
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue recognised at a point in time from external customers and reportable segment revenue	**91,722**	201,812	**539,611**	471,271	**631,333**	673,083
Reportable segment gross profit	**29,351**	56,139	**17,429**	9,567	**46,780**	65,706

(c) Reconciliations of reportable segment results to consolidated profit before taxation

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Total reportable segment gross profit	**46,780**	65,706
Other income	**10,114**	8,821
Staff costs	**(19,153)**	(20,783)
Depreciation and amortisation	**(10,998)**	(7,928)
Operating lease charges	**(595)**	(2,768)
Other operating expenses	**(14,418)**	(21,737)
Finance costs	**(3,471)**	(7,578)
Share of (losses)/profits of joint ventures	**(1,091)**	3,502
Consolidated profit before taxation	**7,168**	17,235

3 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of subsidiaries	**–**	5,480
Net gain on acquisition of control over a joint venture	**2,656**	–
Rental income from operating leases	**1,799**	1,198
Government grants	**4,130**	125
Interest income	**435**	1,326
Changes in fair value of other financial assets and liabilities	**1,704**	–
Net gain/(loss) on disposal of property, plant and equipment	**768**	(50)
Net foreign exchange loss	**(1,730)**	–
Others	**352**	742
	10,114	8,821

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**2,302**	6,202
Interest on lease liabilities	**1,169**	1,376
	3,471	7,578

No borrowing costs have been capitalised during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB Nil).

(b) Staff costs:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**17,577**	19,226
Contributions to defined contribution retirement plans	**1,576**	1,557
	19,153	20,783

(c) Other items:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation charge		
— owned property, plant and equipment	**6,634**	4,903
— right-of-use assets	**4,364**	3,025
Operating lease charges relating to short-term leases	**595**	2,768
(Reversal of impairment losses)/impairment losses:		
— trade and other receivables	**(92)**	28
Cost of inventories	**584,553**	607,377

(d) Other operating expenses:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Utilities expenses	**2,670**	4,545
Maintenance expenses	**2,292**	2,809
Professional service fees	**1,805**	4,033
Administrative expenses	**1,212**	2,221
Entertainment expenses	**899**	1,155
Transportation fees	**768**	1,259
Other taxation	**746**	1,256
Others	**4,026**	4,459
Other operating expenses	**14,418**	21,737

5 INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**2,701**	7,153
Deferred tax		
Origination and reversal of temporary differences	**151**	(43)
	2,852	7,110

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 2020 (six months ended 30 June 2019: 16.5%). These companies did not have assessable profits for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB Nil).

(iii) The Group's subsidiaries in the People's Republic of China ("**PRC**") (excluding Hong Kong) are subject to PRC Enterprise Income Tax at a rate of 25% during the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,742,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB13,209,000) and the weighted average of 216,000,000 ordinary shares (six months ended 30 June 2019: 216,000,000 shares).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2020 and 2019.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

For the six months ended 30 June 2020, additions to right-of-use assets were approximately RMB5.4 million, including ownership interests in leasehold land held for own use of approximately RMB5.4 million (six months ended 30 June 2019: RMB Nil).

(b) Owned property, plant and equipment

For the six months ended 30 June 2020, the Group's additions to owned property, plant and equipment were approximately RMB21.1 million was recognised (six months ended 30 June 2019: approximately RMB23.7 million), including the additions due to the acquisition of a subsidiary. Property, plant and equipment with a net carrying amount of approximately RMB1.5 million were disposed during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB4.9 million), contributing to a gain on disposal of approximately RMB0.8 million (six months ended 30 June 2019: a loss on disposal of approximately RMB50,000).

8 TRADE RECEIVABLES

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade receivables due from:		
— third parties	**73,381**	82,862
— related parties	**30,367**	25,585
	103,748	108,447
Less: loss allowance	**(1,189)**	(1,281)
Financial assets measured at amortised cost	**102,559**	107,166

All of the trade receivables, net of loss allowance, are expected to be recovered within one year.

Ageing analysis

As 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 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	**52,253**	58,233
1 to 3 months	**41,355**	40,102
3 to 6 months	**8,951**	8,831
	102,559	107,166

9 TRADE AND BILLS PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	**1,548**	1,474
Bills payables	**16,000**	–
Financial liabilities measured at amortised cost	**17,548**	1,474

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

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 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	**786**	615
1 to 3 months	**451**	426
3 to 6 months	**16,311**	433
	17,548	1,474

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 2020 (six months ended 30 June 2019: RMB Nil).

11 THE IMPACT OF NOVEL CORONAVIRUS (COVID-19) EPIDEMIC

The main operations of the Group are located in the PRC. The novel coronavirus (COVID-19) epidemic (the "**Epidemic**") has spread all over the world including the PRC since January 2020 and a number of provinces and cities in the PRC have taken various emergency public health measures and other actions to prevent the spread of the Epidemic, leading to additional uncertainties in the Group's operating environment and impact on the Group's operations and financial position. The Group has been closely monitoring the impact from the Epidemic on the Group's businesses and has commenced to put in place various contingency measures including but not limited to reassessing the adequacy and suitability of the Group's existing suppliers' inventory of LPG, CNG and LNG, increasing the monitoring of the business environment of the Group's customers, improving the Group's cash position by expediting debtor collections and implementing more cautious cost control measures. Given the uncertainty about the end date of the Epidemic, it may continue to cause the decrease in the Group's sales of LPG, CNG and LNG. In addition, the Epidemic may impact the cash flow forecasts, and also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on property, plant and equipment attributable to gas refuelling stations and trade receivables in future periods. These effects cannot be accurately estimated as at the date of this announcement. The Group will continue to closely monitor the development of the Epidemic and market conditions, evaluate the impact of the Epidemic on the Group's financial and business performance, and formulate corresponding response measures.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2020, the Epidemic swept the world and the global caused a slowdown in economic growth. The international crude oil price fluctuated greatly, and the energy market fluctuated sharply. The Gross Domestic Product ("**GDP**") of the PRC fell by 1.6% for the first half of 2020 as compared with the same period of the previous year, whereas the GDP in the first quarter decreased by 6.8% year-on-year and the second quarter increased by 3.2% year-on-year.

Affected by the Epidemic and fluctuations in oil price, the supply of LPG contracted in the first half of the year, while generally remained stable overall. The demand for LPG was initially lower but increased subsequently and the overall demand had recovered as the Epidemic and oil price fluctuations gradually eased. Between January and June 2020, the apparent consumption of LPG in the PRC was 29.9476 million tons, representing an increase of 3.71% as compared with the same period of the previous year.

The overall supply of natural gas in the PRC was abundant in the first half of the year, and the overall apparent consumption of natural gas was stable without any significant increase. Save for the negative growth in February, the apparent consumption of natural gas maintained year-on-year growth during the first half of 2020, which was mainly due to the Epidemic. Between January and June 2020, the apparent consumption of natural gas in the PRC was 160.701 billion cubic meters, representing an increase of 5.74% as compared with the same period of the previous year.

As the outbreak of Epidemic and the implementation of various traffic control measures had brought severe challenges to the Group, the Group's performance for the six months ended 30 June 2020 (the "**Period**") had declined, especially for the vehicle gas business. During the Epidemic period, the Group actively implemented various Epidemic prevention and control measures to ensure the health and safety of employees and customers. At the same time, the Group took multiple measures to enhance sales, with the wholesale sales volume and revenue of natural gas and LPG showing an upward trend. With the gradual easing of the Epidemic and oil price fluctuations, the operation of the Group has been gradually improving.

BUSINESS REVIEW

The Group is an integrated LPG and natural gas supplier in the PRC with a complete industry chain that engages in the sales of LPG and natural gas and the operation of vehicular refuelling stations (車用加氣站) and domestic stations (民用站) in Guangdong Province and Henan Province with over 14 years of proven track records in the industry.

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB631.3 million, representing a decrease of approximately RMB41.8 million from the revenue of approximately RMB673.1 million for the six months ended 30 June 2019. The decrease in revenue was mainly attributable to the decrease in sales volume of CNG and the decrease in the unit selling price of LPG during the Period.

(1) LPG Business

LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances. As at 30 June 2020, the Group had 4 LPG vehicular refuelling stations and 2 LPG domestic stations in Guangdong Province. There was also an LPG terminal with storage facilities located in Guangdong Province.

The Group possesses a comprehensive business model in our LPG business. Our upstream procurement of LPG consists of large scale LPG domestic gas suppliers with their own terminal and storage which mainly import LPG from overseas, and domestic petrochemical refineries. With the delivery of our intermediary logistics (including vehicles or gas carrier ships designated for LPG use), the Group is able to provide LPG to our customers including LPG vehicular refuelling stations, LPG domestic stations and wholesale customers, and our customers consist of retail and wholesale customers. The Group also owns the LPG terminals through Jiangmen Xinjiang Gas Company Limited (江門市新江煤氣有限公司) ("**Jiangmen Xinjiang Gas**"), a jointly controlled entity.

For the six months ended 30 June 2020, the Group had recorded the LPG sales revenue of approximately RMB523.7 million, representing an increase of approximately RMB22.7 million from the LPG sales revenue of approximately RMB501.0 million in the corresponding period in 2019. The increase in revenue was mainly attributable to the increase in the sales volume of the LPG wholesale business.

(2) CNG Business

CNG is widely used in short distance vehicles such as local buses, taxis and private vehicles. As at 30 June 2020, we had 12 CNG vehicular refuelling stations, 1 liquefied-to-compressed natural gas (the "**L-CNG**") vehicular refuelling station and 3 CNG mother stations in Henan Province.

The CNG business model is well supported by our upstream suppliers primarily consisting of PetroChina Company Limited ("**PetroChina**"), which utilises the West to East Gas Transmission Tunnel (西氣東輸管道) to supply to our CNG mother stations, with our own logistics fleet being the major logistic system for distribution to the location of our CNG vehicular refuelling stations and the locations of our customers while some of our wholesale customers may also arrange for their own logistics arrangement. Our downstream portfolio consists of CNG vehicular refuelling stations and our customers consist of a variety of retail and wholesale customers.

For the six months ended 30 June 2020, the Group had recorded the CNG sales revenue of approximately RMB74.2 million, representing a decrease of approximately RMB75.8 million from the CNG sales revenue of approximately RMB150.0 million in the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in sales of CNG for vehicles during the Period, which was affected by the Epidemic and the implementation of traffic control measures.

(3) LNG Business

The LNG refuelling market in China is still at an emerging stage due to its relatively high cost to process, liquefy and store compared with CNG. With the support of the PRC government policies, the development and promotion of LNG in the South China and coastal areas has developed rapidly, especially the rising demand for LNG in the industrial and power generation industries, which has laid a solid foundation for the growth of LNG. As at 30 June 2020, we had 2 LNG vehicular refuelling stations in Guangdong Province and 1 L-CNG vehicular refuelling station in Henan Province.

For our LNG business model, the Group possesses a strong upstream procurement suppliers formed by large-scale LNG terminal companies. As vehicles containing special cryogenic storage facilities and tanks for LNG use are required for transportation of LNG, the Group uses third party logistics service providers to transport our LNG to our LNG vehicular refuelling stations and to our wholesale customers. Meanwhile, the downstream portfolio consists of the LNG vehicular refuelling stations and our customers consist of retail and wholesale customers.

For the six months ended 30 June 2020, the Group had recorded the LNG sales revenue of approximately RMB27.8 million, representing an increase of approximately RMB16.9 million from the LNG sales revenue of approximately RMB10.9 million in the corresponding period in 2019. The increase in revenue was mainly attributable to the increase in the number of customers of the LNG business, which led to an increase in LNG sales during the Period.

As at 30 June 2020, we operated a total of 24 stations, of which 22 are our self-owned stations and 2 are jointly-owned stations.

As at 30 June 2020, the number of our refuelling stations in operation are set out below:

	As at 30 June 2020	As at 31 December 2019
LPG station	**6**	8
CNG station	**12**	12
LNG station	**2**	1
L-CNG station	**1**	1
Sub-total	**21**	22
CNG mother station	**3**	3
Total	**24**	25

Meanwhile, as at 30 June 2020, the breakdown of our refuelling stations in operation by cities and provinces are set out below:

City, Province	LPG	LNG	CNG	L-CNG	Total number of stations
Guangzhou, Guangdong Province	4[(1)]	2[(2)]	0	0	6
Jiangmen, Guangdong Province	2[(3)]	0	0	0	2
Total number of refuelling stations in Guangdong Province	**6**	**2**	**0**	**0**	**8**
Xinyang, Henan Province	0	0	1	0	1
Zhengzhou, Henan Province	0	0	8	0	8
Zhumadian, Henan Province	0	0	3[(4)]	0	3[(4)]
Xinzheng, Henan Province	0	0	3[(5)]	1	4[(5)]
Total number of refuelling stations in Henan Province	**0**	**0**	**15**	**1**	**16**
Total	**6**	**2**	**15**	**1**	**24**

Notes:

1. The two LPG refueling stations of the Group located in Guangzhou City, Guangdong Province, ceased operations as the landlord took back the land.

2. The Group completed the construction of and commenced operation of a LNG refuelling station in Guangzhou City, Guangdong Province, in the first half of 2020.

3. The two LPG domestic stations are owned by Jiangmen Xinjiang Gas, which is one of our jointly controlled entities and is not our subsidiary.

4. It comprises one CNG mother station in Zhumadian City, Henan Province.

5. It comprises two CNG mother stations in Xinzheng City, Henan Province.

The revenue by our product mix for the six months ended 30 June 2020 and 2019 are summarized as below:

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Sales volume *(Note)*	**Revenue** *(RMB'000)*	**Percentage of revenue** *(%)*	Sales volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**3,355**	**20,537**	**3.3%**	9,931	59,326	8.8%
CNG	**23.34**	**63,888**	**10.1%**	42.32	139,944	20.8%
LNG	**1,845**	**7,297**	**1.2%**	510	2,542	0.4%
Sub-total		**91,722**	**14.6%**		201,812	30%
Wholesale						
LPG	**165,514**	**503,116**	**79.7%**	124,129	441,634	65.6%
CNG	**4.47**	**10,344**	**1.6%**	3.48	10,046	1.5%
LNG	**7,171**	**20,472**	**3.2%**	2,123	8,387	1.2%
Others		**5,679**	**0.9%**		11,204	1.7%
Sub-total		**539,611**	**85.4%**		471,271	70%
Total		**631,333**	**100%**		673,083	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

In the second half of 2020, with the solid progress of Epidemic prevention and control measures, and economic and social development, China's economy has shown a trend of rapid recovery. However, the overall prospect remains uncertain, and the energy industry continues to face uncertainty. The Group will maintain a positive attitude and make unremitting efforts to implement the Epidemic prevention and control measures and maintain the steady operation of the business.

The civilian and industrial demand remains as the main area of consumption for LPG in 2020. The demand for LPG will increase along with the alleviation of Epidemic, the coming of heating season and the gradual recovery of deep processing operations, and the overall market demand for LPG market in the second half of 2020 is expected to be higher than that in the first half of 2020. The Group will focus on the civilian and industrial gas market of LPG and continue to increase sales efforts in the wholesale business to improve our overall sales.

Due to the influence of energy consumption structure, energy conservation and emission reduction and other factors, the status of natural gas has been gradually rising, and the consumption level and supply capacity have also been increasing year by year. The year 2020 not only represents the final year of the "13th Five Year Plan" and the commencement of the "14th Five Year Plan", but also the year of winning the battle of the Three-Year Action Plan to Fight Air Pollution (打贏藍天保衛戰三年行動計劃). With the Epidemic easing, natural gas consumption demand is expected to rise in the second half of 2020. We will leverage on the established and smoothly running supply system covering the whole industrial chain (including CNG mother stations, logistics and daughter stations), and continue to pursue vertical integration opportunities in strengthening our market position, thereby striving to capture a larger market share in transportation energy and industrial energy supply sectors.

Looking forward to the second half of the year, the Group will continue to maintain a prudent attitude and actively respond to the uncertain changes in the economic and industrial environment. The Group will continue to promote business innovation, promote the transformation and upgrading of its own industries, actively seek business opportunities related to the energy industry, seek new economic growth points of the Group and bring rewarding returns to the shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group had recorded revenue of approximately RMB631.3 million, representing a decrease of approximately RMB41.8 million from the revenue of approximately RMB673.1 million in the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in sales volume of CNG and the decrease in the unit price of LPG 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 decreased by approximately RMB22.8 million from approximately RMB607.4 million in the corresponding period in 2019 to approximately RMB584.6 million in 2020, which was mainly due to the decrease in the purchase volume of natural gas and the decrease in the purchase unit price of LPG.

For the six months ended 30 June 2020, the gross profit of the Group was approximately RMB46.8 million, representing a decrease of approximately RMB18.9 million from the gross profit of approximately RMB65.7 million in the corresponding period in 2019. The decrease in gross profit was mainly due to the impact on the replacement of some LPG vehicles in the operating locations of the Group with LNG and electric vehicles and the Epidemic, which led to the decrease in the sales volume of LPG for vehicles and CNG for vehicles.

Other Income

For the six months ended 30 June 2020, the Group's other income amounted to approximately RMB10.1 million, representing an increase of approximately RMB1.3 million from other income of approximately RMB8.8 million in the corresponding period in 2019. This was mainly due to the increase in government subsidy income.

Staff Costs

For the six months ended 30 June 2020, the Group's staff costs were approximately RMB19.2 million, representing a decrease of approximately RMB1.6 million from the staff costs of approximately RMB20.8 million in the corresponding period in 2019. This was mainly due to the decrease in the number of employees.

Depreciation and Amortisation

For the six months ended 30 June 2020, the depreciation and amortisation of the Group was approximately RMB11.0 million, representing an increase of approximately RMB3.1 million from the depreciation and amortisation of approximately RMB7.9 million in the corresponding period in 2019. This was mainly due to the increase in property, plant and equipment as a result of the acquisition of 50% of the equity interests of Henan Blue Sky Sino Gas Technology Company Limited ("**Henan Blue Sky**") during the Period.

Operating Lease Charges

For the six months ended 30 June 2020, the operating lease charges of the Group was approximately RMB0.6 million, representing a decrease of approximately RMB2.2 million from the operating lease charges of approximately RMB2.8 million in the corresponding period in 2019. This was mainly due to no rent being paid for two of the Group's LPG stations that ceased operations.

Other Operating Expenses

For the six months ended 30 June 2020, the Group's other operating expenses were approximately RMB14.4 million, representing a decrease of approximately RMB7.3 million from other operating expenses of approximately RMB21.7 million in the corresponding period in 2019. This was mainly due to (i) the decrease in the sales of CNG which led to the corresponding reduction in water and electricity charges for CNG refuelling stations; and (ii) the decrease in professional service fees of the Group.

Finance Costs

For the six months ended 30 June 2020, the Group's finance costs were approximately RMB3.5 million, representing a decrease of approximately RMB4.1 million from the finance costs of approximately RMB7.6 million in the corresponding period in 2019. This was mainly due to the decrease in bank borrowings during the Period.

Profit Before Taxation

For the six months ended 30 June 2020, the Group's profit before taxation was approximately RMB7.2 million, representing a decrease of approximately RMB10.0 million from the profit before taxation of approximately RMB17.2 million in the corresponding period in 2019, which was due to the decline in gross profit of sales.

Income Tax

For the six months ended 30 June 2020, the Group's income tax expense was approximately RMB2.9 million, representing a decrease of approximately RMB4.2 million from the income tax expense of approximately RMB7.1 million in the corresponding period in 2019.

Profit for the Period

As a result of the foregoing, for the six months ended 30 June 2020, the Group recorded the profit for the period of approximately RMB4.3 million, representing a decrease of approximately RMB5.8 million from the profit for the period of approximately RMB10.1 million in the corresponding period in 2019.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2020, the financial position of the Group remained stable. As at 30 June 2020, the total net book value of assets was approximately RMB627.7 million, representing an increase of approximately RMB30.3 million as compared to the total value of assets of approximately RMB597.4 million in the corresponding period in 2019. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 30 June 2020, the Group had approximately RMB196.7 million in cash and bank balances.

Capital Expenditure

The capital expenditure of the Group was mainly related to the payments for purchase of property, plant and equipment (including right-of-use assets) of approximately RMB3.4 million for the six months ended 30 June 2020.

Borrowings

The Group's short-term borrowings as at 30 June 2020 and 31 December 2019 are summarised below:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Unsecured and unguaranteed	**–**	100,000
Secured by bank deposits of the Group	**140,851**	36,370
	140,851	136,370

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 39.6% as at 30 June 2020 (31 December 2019: 37.7%). The increase in gearing ratio was mainly attributable to the increase in trade and bills payables of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 539 employees (including the staff of our joint venture, Jiangmen Xinjiang Gas) (at 30 June 2019: 593). 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 employees. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances. The Group regularly organizes safety and skills training for its employees, and encourages its employees to attend industry-related seminars organized by professional institutions, in order to enhance the safety and technical capability of employees and promote their career growth and development.

USE OF PROCEEDS FROM THE LISTING

After deduction of all related listing expenses and commissions, the net proceeds from the listing of shares on the Main Board of the Stock Exchange on 28 December 2018 (the "**Listing**") amounted to approximately HK$120.3 million. Details of the proposed use of such net proceeds are disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing and subsequently revised in the announcement issued by the Company dated 27 February 2020. Up to 30 June 2020, the Group has utilised the net proceeds from the Listing as follows:

Intended use of proceeds	**Original Allocation** *HK$ million*	**Revised Allocation** *HK$ million*	**Utilisation as at 30 June 2020** *HK$ million*	**Remaining balance as at 30 June 2020** *HK$ million*	**Expected timeline for full utilisation of the remaining proceeds**[4]
To acquire operating rights of an LPG domestic station[1]	20.5	20.5	0	20.5	By the end of 2021
To strengthen our LPG logistics and storage capacity by constructing storage facilities[2]	21.7	21.7	0	21.7	By the end of 2021
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station[2]	27.7	14.5	11.5	3.0	By the end of 2021
To construct new refuelling stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing refuelling stations[2]	24.1	16.1	15.9	0.2	By the end of 2020
To increase our logistics capacity by purchasing additional vehicle fleets	14.4	14.4	0	14.4	By the end of 2023
To finance the acquisition[3]	–	21.1	21.1	0	–
General working capital	12.0	12.0	12.0	0	–
Total	120.3	120.3	60.5	59.8[5]	

Notes:

1. Due to the impact of the Epidemic on the global economy and business environment, the Group has not yet identified a suitable acquisition target. The Group will continue to actively identify suitable acquisition targets by adopting prudent strategy.

2. The construction of storage facilities, new CNG mother stations and new refuelling stations related project are affected by the change of project progress and the Epidemic, and the Group will delay the use of net proceeds accordingly.

3. The Board is of the view that, the cost of constructing CNG mother station and refuelling stations was lower than expected and therefore idle funds were generated, while the natural gas business in Henan Province still has certain degree of potential for development, and the acquisition of interests in Henan Blue Sky served similar purpose of constructing new stations and thus part of the proceeds had been then reallocated to the acquisition. As of the date of this announcement, the Group has completed the acquisition of the equity interests in Henan Blue Sky, and fully utilised the redistributed net proceeds at the end of March 2020. For details, please refer to announcement of the Company dated 27 February 2020.

4. The expected timeline for full utilisation of the remaining proceeds is made based on the best estimation of the Group taking into account, among others, business developments and needs and the prevailing and future market conditions, and therefore is subject to change.

5. As of 30 June 2020, the unutilised net proceeds were deposited into interest-bearing bank accounts.

FOREIGN EXCHANGE EXPOSURE

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

As at 30 June 2020, the listing proceeds were denominated in Hong Kong Dollar ("**HKD**"). Therefore, the foreign exchange risk assumed by us primarily arises from movements in the exchange rates of HKD and RMB. In the first half of 2020, 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 may 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 risk 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 2020. 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 2020, the Group held other financial assets approximately RMB6.2 million, including foreign exchange forward contracts of approximately RMB2.8 million and unlisted equity securities of approximately RMB3.4 million, of which unlisted equity securities was a supplemental means to improve utilisation of our cash on hand. Apart from the acquisition of Henan Blue Sky announced on 27 February 2020, the Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR JOINT VENTURES

On 27 February 2020, Sino Gas Investment Group Limited ("**HK Investment**"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Henan Blue Sky Gas Corporation ("**Blue Sky Gas**") and Henan Blue Sky, pursuant to which, HK Investment had agreed to purchase, and Blue Sky Gas had agreed to sell, 50% of the equity interests in Henan Blue Sky, at a total cash consideration of RMB19.0 million. The acquisition was completed on 28 February 2020. Upon completion, Henan Blue Sky has become a wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 27 February 2020.

For the six months ended 30 June 2020, apart from the aforementioned acquisition, the Group had no material acquisitions and disposals of subsidiaries or joint ventures.

CONTINGENT LIABILITIES

For the six months ended 30 June 2020, a subsidiary of the Group has been claimed, as one of the co-defendants, to compensate for damages arising from debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB64.4 million. Based on legal advice, the Directors do not consider it probable that the subsidiary will be found liable to these claims and accordingly, no provision has been made as at 30 June 2020.

PLEDGE OF ASSETS

Included in cash at bank and on hand, RMB65.5 million was pledged as securities for the Group's bank loans at 30 June 2020, RMB7.2 million was pledged as securities for the Group's foreign exchange forward contracts outstanding at 30 June 2020, and RMB16.0 million was pledged as securities for bank acceptance notes issued by the Group.

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.

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 Company also has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. 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 2020, except for deviation from code provision A.2.1 as explained below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer 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 the 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 its 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.

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 to all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the six months ended 30 June 2020.

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 2020.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

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 2020 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 2020 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 2020 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

Hong Kong, 28 August 2020

As at the date of this announcement, the Directors 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