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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

BUSINESS HIGHLIGHTS

During the year, the sales volume of liquefied petroleum gas increased by approximately 29.1% to approximately 337.5 thousand tonnes (2019: approximately 261.4 thousand tonnes), the sales volume of liquified natural gas increased by approximately 96.8% to approximately 18.7 thousand tonnes (2019: approximately 9.5 thousand tonnes), and the sales volume of compressed natural gas decreased by approximately 26.2% to approximately 60.6 million cubic metres (2019: approximately 82.1 million cubic metres).

During the year, the revenue increased by approximately 0.4% to approximately RMB1,284.4 million (2019: approximately RMB1,278.9 million).

During the year, the gross profit decreased by approximately 28.7% to approximately RMB102.3 million (2019: approximately RMB143.5 million).

During the year, the profit for the year decreased by approximately 36.6% to approximately RMB13.0 million (2019: approximately RMB20.5 million).

During the year, the profit attributable to equity shareholders of the Company decreased by approximately 42.7% to approximately RMB12.6 million (2019: approximately RMB22.0 million).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of Sino Gas Holdings Group Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**Our Group**", "**we**" or "**us**") for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
*(Expressed in Renminbi (“**RMB**”))*

	Note	2020 RMB’000	2019 RMB’000
Revenue	3	**1,284,358**	1,278,898
Cost of sales		**(1,182,054)**	(1,135,389)
Gross profit	3(b)	**102,304**	143,509
Other income	4	**24,323**	16,780
Staff costs	5(b)	**(37,662)**	(44,701)
Depreciation	5(c)	**(25,101)**	(21,519)
Operating lease charges	5(c)	**(2,040)**	(4,918)
Other operating expenses	6	**(35,333)**	(41,913)
Impairment loss on trade and other receivables		**(565)**	(997)
Profit from operations		**25,926**	46,241
Finance costs	5(a)	**(6,516)**	(13,244)
Share of (losses)/profits of joint ventures		**(1,099)**	253
Profit before taxation	5	**18,311**	33,250
Income tax	7	**(5,320)**	(12,763)
Profit for the year		**12,991**	20,487
Attributable to:			
Equity shareholders of the Company		**12,627**	22,045
Non-controlling interests		**364**	(1,558)
Profit for the year		**12,991**	20,487
Earnings per share (RMB)			
— Basic and diluted	8	**0.06**	0.10

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Expressed in RMB)

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**12,991**	20,487
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**(6,758)**	1,625
Total comprehensive income for the year	**6,233**	22,112
Attributable to:		
Equity shareholders of the Company	**5,869**	23,670
Non-controlling interests	**364**	(1,558)
Total comprehensive income for the year	**6,233**	22,112

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020
(Expressed in RMB)

	Note	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment		**214,635**	217,380
Interests in joint ventures		**16,868**	35,070
Financial assets measured at fair value through profit or loss	9	**3,350**	4,990
Financial assets measured at amortised cost	10	**70,000**	–
Deferred tax assets		**8,505**	6,645
		313,358	264,085
Current assets			
Financial assets measured at fair value through profit or loss	9	**50,960**	–
Inventories		**3,231**	2,174
Trade receivables	11	**117,940**	107,166
Prepayments, deposits and other receivables		**67,120**	53,900
Income tax recoverable		**4,834**	3,739
Cash at bank and on hand		**109,354**	166,315
		353,439	333,294
Current liabilities			
Bank loans		**196,597**	136,370
Trade payables	12	**1,546**	1,474
Accrued expenses and other payables		**42,834**	37,650
Lease liabilities		**7,301**	8,172
Financial liabilities measured at fair value through profit or loss	9	**2,958**	–
		251,236	183,666
Net current assets		**102,203**	149,628
Total assets less current liabilities		**415,561**	413,713

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Financial liabilities measured at fair value through profit or loss	9	**–**	463
Lease liabilities		**34,308**	40,426
Deferred tax liabilities		**1,765**	679
		36,073	41,568
NET ASSETS		**379,488**	372,145
CAPITAL AND RESERVES			
Share capital	13	**1,892**	1,892
Reserves		**348,127**	342,258
Total equity attributable to equity shareholders of the Company		**350,019**	344,150
Non-controlling interests		**29,469**	27,995
TOTAL EQUITY		**379,488**	372,145

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Sino Gas Holdings Group Limited (the "**Company**") was incorporated in the Cayman Islands on 26 March 2018 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2018. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the retail and wholesale of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**") in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated results set out in this announcement do not constitute the Group's annual consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in a joint venture.

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

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

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 3 have no impact on the results and financial position of the Group.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of LPG, CNG and LNG. Further details regarding the Group's principal activities are disclosed in Note 3(b).

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services:		
— LPG	**1,027,463**	962,249
— CNG	**189,167**	276,273
— LNG	**58,011**	33,316
— Others	**9,717**	7,060
	1,284,358	1,278,898

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Note 3(b).

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2020 and 2019 except for the sales to a joint venture.

(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, 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 years ended 31 December 2020 and 2019 is set out below.

	Retail		**Wholesale**		**Total**	
	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	**236,595**	373,382	**1,047,763**	905,516	**1,284,358**	1,278,898
Reportable segment gross profit	**83,760**	125,470	**18,544**	18,039	**102,304**	143,509

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

	2020	2019
	RMB'000	*RMB'000*
Total reportable segment gross profit	**102,304**	143,509
Other income	**24,323**	16,780
Staff costs	**(37,662)**	(44,701)
Depreciation	**(25,101)**	(21,519)
Operating lease charges	**(2,040)**	(4,918)
Other operating expenses	**(35,333)**	(41,913)
Impairment loss on trade and other receivables	**(565)**	(997)
Finance costs	**(6,516)**	(13,244)
Share of (losses)/profits of joint ventures	**(1,099)**	253
Consolidated profit before taxation	**18,311**	33,250

(iii) Geographic information

The Group's revenue is substantially generated from the sales of LPG, CNG and LNG in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

4 OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Net gain on acquisition of control over a joint venture	**2,656**	–
Gain on disposal of subsidiaries	**–**	5,480
Gain on disposal of equity investments	**–**	4,080
Rental income from operating leases	**5,418**	3,394
Government grants *(Note (i))*	**7,741**	2,685
Interest income	**3,062**	2,041
Changes in fair value of financial assets and liabilities measured at fair value through profit or loss	**(1,550)**	1,177
Net gain/(loss) on disposal of property, plant and equipment	**255**	(780)
Net foreign exchange gain/(loss)	**6,078**	(1,980)
Others	**663**	683
	24,323	16,780

Note:

(i) Government grants represent incentive subsidies from various PRC government authorities. There are no conditions or future obligations attached to these subsidies.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**4,270**	10,613
Interest on lease liabilities	**2,246**	2,631
	6,516	13,244

(b) Staff costs:

	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**36,920**	41,849
Contributions to defined contribution retirement plans	**327**	2,852
Termination benefit	**415**	–
	37,662	44,701

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at certain percentages of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age. During the year ended 31 December 2020, the subsidiaries established in the PRC have been granted certain exemption on the contributions to defined contribution retirement plans by the local government authority as a result of the Coronavirus pandemic ("**COVID-19**").

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items:

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge		
— owned property, plant and equipment	**14,932**	12,235
— right-of-use assets	**10,169**	9,284
Operating lease charges relating to short-term leases	**2,040**	4,918
Auditors' remuneration — audit services	**1,390**	2,838
Impairment losses on property, plant and equipment *(Note (i))*	**5,286**	547
Cost of inventories	**1,182,054**	1,135,389

Note:

(i) During the year ended 31 December 2020, in a view of the fluctuation of the gas prices and the change in the vehicles gas market, the Group assessed the recoverable amounts of certain property, plant and equipment attributable to gas refuelling stations. An impairment loss of RMB5,286,000 (2019: RMB547,000) was recognised in "other operating expenses" in 2020. The estimates of recoverable amount were based on its value in use with pre-tax discount rate of 15% (2019: 11%).

6 OTHER OPERATING EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment	**5,286**	547
Utilities expenses	**5,232**	8,916
Professional service fees	**4,339**	7,933
Maintenance expenses	**3,858**	5,480
Transportation expenses	**2,854**	2,300
Taxation other than income tax	**2,683**	2,801
Administrative expenses	**2,187**	4,244
Entertainment expenses	**1,590**	2,310
Others	**7,304**	7,382
	35,333	41,913

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**7,850**	12,975
Deferred tax		
Origination and reversal of temporary differences	**(2,530)**	(212)
	5,320	12,763

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**18,311**	33,250
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**4,559**	8,167
Tax effect of share of losses/(profits) of joint ventures	**275**	(63)
Tax effect of non-deductible expenses	**340**	1,381
Tax effect of unused tax losses not recognised	**415**	2,709
Tax effect of the withholding tax in connection with the distribution from and the undistributed profits of a joint venture *(Note (iv))*	**(269)**	569
Actual tax expense	**5,320**	12,763

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 subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2020 (2019: 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 year ended 31 December 2020 (2019: 25%).

(iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. The Group's Hong Kong subsidiaries are subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries and joint venture.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2020 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB12,627,000 (2019: RMB22,045,000) and the weighted average of 216,000,000 (2019: 216,000,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2020 and 2019.

9 FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Non-current		
Financial assets measured at FVPL		
— Unlisted equity securities	**3,350**	3,350
— Foreign exchange forward contracts	**–**	1,640
	3,350	4,990
Financial liabilities measured at FVPL		
— Foreign exchange forward contracts	**–**	463

	2020	2019
	RMB'000	*RMB'000*
Current		
Financial assets measured at FVPL		
— Foreign exchange forward contracts	**133**	–
— Structured deposits *(Note (i))*	**50,827**	–
	50,960	–
Financial liabilities measured at FVPL		
— Foreign exchange forward contracts	**2,958**	–

Note:

(i) As at 31 December 2020, the Group held a principal-guaranteed structured deposit product issued by a bank in the principal amount of RMB50,000,000 with maturity date on 16 June 2021. The floating yield of the product is linked to the RMB-denominated gold benchmark price published by the Shanghai Gold Exchange, which may vary at 1.75% or 3.05% per annum. The structured deposit product was pledged for one year as securities for the Group's bank loans as at 31 December 2020.

10 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2020	2019
	RMB'000	*RMB'000*
Certificates of deposit with maturities over one year *(Note (i))*	**70,000**	–

Note:

(i) In November 2020, the Group purchased certificates of deposit issued by a bank with an aggregate principal amount of RMB70,000,000 (2019: RMB Nil) and a maturity period of three years. Such certificates of deposit could be redeemed or transferred at any time while management has intention to hold them until maturity. The certificates of deposit of RMB70,000,000 were pledged for one year as securities for the Group's bank loans as at 31 December 2020.

11 TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables due from:		
— third parties	**83,785**	82,862
— related parties	**36,001**	25,585
	119,786	108,447
Less: loss allowance	**(1,846)**	(1,281)
Financial assets measured at amortised cost	**117,940**	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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**81,702**	58,233
1 to 3 months	**17,866**	40,102
3 to 6 months	**18,067**	8,831
6 to 12 months	**305**	–
	117,940	107,166

12 TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**1,546**	1,474
Financial liabilities measured at amortised cost	**1,546**	1,474

All of the trade 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 payables, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**444**	615
1 to 3 months	**495**	426
3 to 6 months	**601**	433
More than 6 months	**6**	–
	1,546	1,474

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

(b) Share capital

	2020		2019	
	No. of shares '000	***HK$'000***	*No. of shares '000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

	2020		2019	
	No. of shares '000	***RMB'000***	*No. of shares '000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January and at 31 December	**216,000**	**1,892**	216,000	1,892

14 CONTINGENT LIABILITIES

In 2019, 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 RMB64,414,000 (the "**Claim**"). During the year ended 31 December 2020, the Group was awarded a judgement in favour of the Group and the Group was considered not liable for the Claim according to the judgement. As at the date of this announcement, the plaintiff is seeking an appeal on the judgement. The Directors do not consider it probable that the subsidiary will be found liable to the Claim and accordingly, no provision has been made as at 31 December 2020.

15 IMPACT OF COVID-19 PANDEMIC

COVID-19 since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various contingency measures. The Directors confirm that these contingency measures include 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, and improving the Group's cash position by expediting debtor settlements. The Group will keep the contingency measures under review as the COVID-19 situation evolves.

As far as the Group's businesses are concerned, the COVID-19 has negatively affected the operation and caused the decrease in the demand for LPG, CNG and LNG, but the Directors consider that such impact could be temporary, and the Group's businesses will resume soon upon the cessation of the COVID-19. In addition, the COVID-19 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. The possible impacts after the reporting period have not been reflected in these financial statements, and the actual impacts may differ from estimates adopted in these financial statements as the COVID-19 situation continues to evolve and when further information may become available.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2020, the global economy, including the People's Republic of China (the "**PRC**"), was affected in many ways by the novel coronavirus (COVID-19) pandemic (the "**Pandemic**"). The supply, demand and transportation of energy industry were greatly impacted by quarantine measures in place, directly affecting fuel demand. Fortunately, the economy recovered steadily in the second half of 2020 as the Pandemic was well contained by the introduction of effective policies implemented by the Chinese government at all levels to combat the Pandemic and facilitate the resumption of work and production in a safe and orderly manner. China's economy showed a quarterly upturn in 2020, with GDP growth turning positive at 3.2% year-on-year in the second quarter from a negative 6.8% in the first quarter and reaching 6.5% year-on-year in the fourth quarter.

On the liquefied petroleum gas ("**LPG**") front, the domestic LPG market was hit hard by the outbreak of the Pandemic in 2020 and the sharp fluctuations in crude oil prices. Demand for chemical raw materials, industrial, commercial and domestic fuels decreased, as did demand for vehicle fuels due to traffic controls and adjustments to traffic energy policy structure. As the Pandemic was gradually brought under control and the market balance between supply and demand continued to improve, domestic LPG supply and demand grew gradually throughout the year, although at a slower rate than last year. In 2020, the Group adopted a diversified sales strategy and an innovative business model to actively explore new customers, resulting in a greater breakthrough in the LPG segment.

On the natural gas front, the economic recovery, together with the opening up of natural gas sources and sales prices by the National Development and Reform Commission and the development of a competitive market, will greatly facilitate the widespread use of natural gas for clean and efficient energy, and bring benefits to those involved in the production and sale of gas sources and terminal sales. During the year, the National Energy Administration issued the Guiding Opinions on Energy Work in 2020 (2020年能源工作指導意見), suggesting that the construction of infrastructure for natural gas production, supply, storage and sales system, including the construction of pipeline networks and storage facilities should be accelerated, and the shortcomings in natural gas interconnection and transmission capacity in key areas, so as to form a "national network", thus demonstrating that the Chinese government will strongly promote natural gas. Despite the impact of the Pandemic, the natural gas industry demonstrated outstanding resilience. According to the China Natural Gas Development Report (2020) (中國天然氣發展報告(2020)), the comprehensive forecast results indicated that the national natural gas consumption in 2020 was approximately 320 billion cubic metres, representing an increase of approximately 13 billion cubic metres from 2019. Against the backdrop of favourable policies in the natural gas industry, the Group further expanded its business area in Hebei Province during the year to further enlarge its corporate scale and business coverage.

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, Henan Province and Hebei Province with over 15 years of proven track records in the industry.

For the year ended 31 December 2020, the Group has recorded revenue of approximately RMB1,284.4 million, representing an increase of approximately RMB5.5 million as compared to approximately RMB1,278.9 million in 2019. The increase was mainly attributable to the increase of sales volume from the LPG wholesale and liquefied natural gas ("**LNG**") retail businesses during the year.

(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 31 December 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. Compared to the same period in 2019, we ceased operating 2 LPG vehicular refuelling stations because the landlord took back the land.

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 year ended 31 December 2020, the Group has recorded the LPG sales revenue of approximately RMB1,027.5 million, representing an increase of approximately RMB65.3 million as compared to approximately RMB962.2 million in 2019. The increase in revenue was mainly due to the increase in the wholesale sales of LPG.

(2) CNG Business

Compressed natural gas (the "**CNG**") is widely used in short distance vehicles such as local buses, taxis and private vehicles. As at 31 December 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 consist of PetroChina Company Limited ("**PetroChina**"), by utilising the West to East Gas Transmission Tunnel (西氣東輸管道) to supply CNG to our CNG mother stations. Our own logistics fleet is the major logistic system to transport CNG 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 year ended 31 December 2020, the Group has recorded the CNG sales revenue of approximately RMB189.2 million, representing a decrease of approximately RMB87.1 million as compared to approximately RMB276.3 million in 2019. The decrease in revenue was mainly due to the decrease in sales of CNG, which was affected by the Pandemic and the replacement of some of CNG vehicles in the business area to LNG and electric vehicles during the year.

(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 China 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 31 December 2020, we had 2 LNG vehicular refuelling stations in Guangdong Province and 1 L-CNG vehicular refuelling station in Henan Province. Compared to the same period in 2019, we increased an LNG vehicular refuelling station in Guangzhou, Guangdong 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 year ended 31 December 2020, the Group has recorded the LNG sales revenue of approximately RMB58.0 million, representing an increase of approximately RMB24.7 million as compared to approximately RMB33.3 million in 2019. The increase in revenue was mainly due to the increase in sales volume of LNG during the year.

As at 31 December 2020, the number of our gas refuelling stations and petroleum refuelling stations in operation are set out below:

	As at 31 December 2020	As at 31 December 2019
Gas refuelling stations		
LPG station	**6**	8
CNG station	**12**	12
LNG station	**2**	1
L-CNG station	**1**	1
CNG mother station	**3**	3
Total number of gas refuelling stations	**24**	25
Petroleum refuelling stations		
Petroleum refuelling stations	**3**	0
Total	**27**	25

Meanwhile, as at 31 December 2020, the breakdown of our gas refuelling stations and petroleum refuelling stations in operation by cities and provinces are set out below:

City, Province	**LPG refuelling stations**	**LNG refuelling stations**	**CNG refuelling stations**	**L-CNG refuelling stations**	**Petroleum refuelling stations**	**Total number of stations**
Guangzhou, Guangdong Province	4[(1)]	2[(2)]	0	0	0	6
Jiangmen, Guangdong Province	2[(3)]	0	0	0	0	2
Total number of stations in Guangdong Provinces	6	2	0	0	0	8
Xinyang, Henan Province	0	0	1	0	0	1
Zhengzhou, Henan Province	0	0	8	0	1[(4)]	9
Zhumadian, Henan Province	0	0	3[(5)]	0	2[(6)]	5
Xinzheng, Henan Province	0	0	3[(7)]	1	0	4
Total number of stations in Henan Province	0	0	15	1	3[(8)]	19
Total	6	2	15	1	3	27

Notes:

1. The two LPG refuelling 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 an 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 our jointly controlled entities and is not our subsidiary.

4. The Group built and operated a petroleum refuelling station in Zhengzhou City, Henan Province in the second half of 2020.

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

6. The two petroleum refuelling stations are owned by Henan Blue Sky Sino Gas Technology Company Limited ("**Henan Blue Sky**"), which has become a wholly owned subsidiary of the Company at the end of February 2020. For details, please refer to the announcement of the Company dated 27 February 2020.

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

8. The three petroleum refuelling stations are operated by independent third parties.

The revenue by product mix for the years ended 31 December 2020 and 2019 are summarized as below:

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Sales volume *(Note)*	**Revenue** *(RMB'000)*	**Percentage of revenue** *(%)*	Sales volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**8,614**	**48,328**	**3.8%**	20,628	115,632	9.0%
CNG	**48.6**	**160,362**	**12.5%**	68.4	239,986	18.8%
LNG	**7,573**	**27,905**	**2.2%**	5,242	17,764	1.4%
Sub-total		**236,595**	**18.5%**		373,382	29.2%
Wholesale						
LPG	**328,872**	**979,135**	**76.2%**	240,795	846,617	66.2%
CNG	**12.0**	**28,805**	**2.2%**	13.7	36,287	2.8%
LNG	**11,154**	**30,106**	**2.3%**	4,289	15,552	1.2%
Others		**9,717**	**0.8%**		7,060	0.6%
Sub-total		**1,047,763**	**81.5%**		905,516	70.8%
Total		**1,284,358**	**100%**		1,278,898	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

The global economic environment has been affected by the Pandemic and energy demand has fallen sharply, but fortunately, China's prompt response to the Pandemic and its clean energy policies have led to an improvement in gas demand. The Pandemic has been effectively contained in China, but the impact of the Pandemic on the Chinese economy is not yet over and the energy sector is still facing certain uncertainties. The Group will continue to work diligently to implement Pandemic prevention and control measures to ensure the safety of its employees while maintaining the stability of its business operations.

Looking ahead to 2021, it will be an important year for economic recovery after the Pandemic and the opening year of the "14th Five-Year Plan". The "China Energy and Chemical Industry Development Report in 2020" (2020中國能源化工產業發展報告) issued by Sinopec Economics and Development Research Institute (中國石化經濟技術研究院) predicts that natural gas consumption in China will enter a medium-to-high-growth phase during the "14th Five-Year Plan" period and China will remain the most attractive place for global resources. The production, supply, storage and sales system will also be further improved. With changes in the competition in upstream and downstream, the restrictions on the gate station prices are expected to be removed. A competitive market has taken shape. The average annual consumption growth rate of natural gas, as a low-carbon energy source, still maintains an average annual consumption growth rate of above 7%. This shows that natural gas market is bound to continue to maintain a medium-to-high-speed development trend in 2021. The Group will continue to develop the upstream, midstream and downstream natural gas industrial chains, and improve and extend the industrial chain to lay a better foundation for the Group's next step of development.

The market share of LPG fuel demand has shrunk as natural gas market penetration has increased. While fuel demand remains the largest domestic market segment, the rise in demand for chemical raw materials is an inevitable trend that will lead to greater growth in demand for LPG deep processing in the future. With the Pandemic gradually under control and oil prices gradually recovering, LPG market is expected to continue to grow steadily in 2021.

The Company will continue to grasp the market opportunities, enhance the industrial chain in line with the national policy, and continue to explore business models for energy diversification to enhance the efficiency and strengthen the core competitiveness and the sustainability and expand its business development to reward shareholders with outstanding results, and hope to work together with customers, employees, society and enterprises to develop and achieve a better future.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group has recorded revenues of approximately RMB1,284.4 million, representing an increase of approximately RMB5.5 million as compared to approximately RMB1,278.9 million in 2019. The increase was mainly attributable to the increase of sales volume from the LPG wholesale and LNG retail businesses during the year.

Revenue from contracts with customers within the scope of IFRS 15	**2020** *RMB'000*	2019 *RMB'000*
LPG	**1,027,463**	962,249
CNG	**189,167**	276,273
LNG	**58,011**	33,316
Others	**9,717**	7,060
	1,284,358	1,278,898

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 RMB46.7 million from approximately RMB1,135.4 million in 2019 to approximately RMB1,182.1 million in 2020, which was mainly due to the increase of sales volume from the LPG wholesale and LNG businesses during the year.

For the year ended 31 December 2020, the gross profit of the Group was approximately RMB102.3 million, representing a decrease of approximately RMB41.2 million as compared to approximately RMB143.5 million in 2019. The decrease in gross profit margin was due to the impact of the replacement of some LPG vehicles in the operating area of the Group with LNG and electric vehicles and the impact of the Pandemic in the PRC since January 2020 on the Group, resulting in the decrease in the retail sales volume of LPG and CNG for vehicles which has relatively higher gross profit margin.

Staff Costs

For the year ended 31 December 2020, the Group's staff costs were approximately RMB37.7 million, representing a decrease of approximately RMB7.0 million as compared to approximately RMB44.7 million in 2019. This is mainly due to the cessation of operation of the two LPG refuelling stations of the Group in 2020 and the decrease in sales volume of LPG and CNG for vehicles, which further led to the Group's reduction of some refuelling station's employees and the reduction of employee bonuses in 2020.

Depreciation

For the year ended 31 December 2020, the depreciation of the Group was approximately RMB25.1 million, representing an increase of approximately RMB3.6 million as compared to the Group's depreciation of approximately RMB21.5 million 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 during the year.

Operating Lease Charges

For the year ended 31 December 2020, the operating lease charges of the Group was approximately RMB2.0 million, representing a decrease of approximately RMB2.9 million as compared to the Group's operating lease charges of approximately RMB4.9 million in 2019. This was mainly due to the decrease in the rental expense for two of the Group's LPG stations that ceased operations.

Other Operating Expenses

For the year ended 31 December 2020, the Group's other operating expenses were approximately RMB35.3 million, representing a decrease of approximately RMB6.6 million as compared to the Group's other operating expenses of approximately RMB41.9 million 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; (ii) the decrease in professional service fees of the Group; and (iii) the decrease in administrative expenses.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs were approximately RMB6.5 million, representing a decrease of approximately RMB6.7 million as compared to the Group's finance costs of approximately RMB13.2 million in 2019. This was mainly due to the decrease in bank borrowing rate and average bank borrowing balances in 2020.

Profit Before Taxation

For the year ended 31 December 2020, the Group's profit before taxation was approximately RMB18.3 million, representing a decrease of approximately RMB15.0 million as compared to the Group's profit before taxation of approximately RMB33.3 million in 2019.

Income Tax

For the year ended 31 December 2020, the Group's income tax expense was approximately RMB5.3 million, representing a decrease of RMB7.5 million as compared to the Group's income tax of approximately RMB12.8 million in 2019.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2020, the Group achieved a profit for the year of approximately RMB13.0 million, representing a decrease of approximately RMB7.5 million as compared to the Group's net profit of approximately RMB20.5 million in 2019.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2020, the financial position of the Group remained stable. The total value of assets was approximately RMB666.8 million, representing an increase approximately RMB69.4 million as compared to the total value of assets of approximately of RMB597.4 million in 2019. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 31 December 2020, the Group had approximately RMB109.4 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) which amounted to approximately RMB6.8 million for the year ended 31 December 2020.

Borrowings

The Group's borrowings as at 31 December 2020 and 2019 are summarised below:

	2020	2019
	RMB'000	*RMB'000*
Unsecured	**–**	100,000
Secured	**196,597**	36,370
	196,597	136,370

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 43.1% as at 31 December 2020 (31 December 2019: 37.7%). The increase in gearing ratio was mainly attributable to the increase in bank borrowings of the Group.

Final Dividend

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 502 employees (2019: 602, including the staff of our joint venture, 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 employees. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

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 of Hong Kong Limited (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. As at 31 December 2020, the Group had utilised approximately HK$61.8 million, representing approximately 51.4% of the net proceeds from the Listing as follows:

Intended use of proceeds	**Original allocation** *HK$ million*	**Revised allocation as at 27 February 2020**(3) *HK$ million*	**Utilisation as at 31 December 2020** *HK$ million*	**Remaining balance as at 31 December 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	12.6	1.9	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	24.1	16.1	16.1	0	Nil
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	Nil
General working capital	12.0	12.0	12.0	0	Nil
Total	120.3	120.3	61.8	58.5	

Notes:

1. Due to the impact of the Pandemic 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 and new CNG mother station are affected by the change of project progress and the Pandemic, and the Group will delay the use of net proceeds accordingly.

3. The Group acquired 50% of the equity interests of 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, the prevailing and future market conditions and business developments and need, and therefore is subject to change.

As of 31 December 2020, the Group expected that, except for those described in the notes above, there will be no change in the planned use and timing of the use of proceeds from the Listing, and the unutilized net proceeds will be 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.

The reporting currencies of the Group is RMB. The Group has currency risk exposures arising from business operations and financial instruments that are denominated in a foreign currency, and such risk is primarily HK$. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate or entering into appropriate forward contracts when necessary.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 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 31 December 2020, the Group held a structured bank deposit issued by a bank with the principal amount of RMB50,000,000 and maturity date on 16 June 2021. Such structured bank deposits were pledged for one year as securities for the Group's bank loans as at 31 December 2020 and was classified as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements. For details, please refer to the Company's announcement dated 29 March 2021.

As at 31 December 2020, included in financial assets and liabilities measured at fair value through profit or loss, there was unlisted equity securities of approximately RMB3.4 million and foreign exchange forward contracts of approximately RMB3.0 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, previously accounted for as a joint venture, 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 year ended 31 December 2020, apart from the aforementioned acquisition, the Group had no material acquisitions and disposals of subsidiaries or joint ventures.

CONTINGENT LIABILITIES

In 2019, 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 RMB64,414,000 (the "**Claim**"). During the year ended 31 December 2020, the Group was awarded a judgement in favour of the Group and the Group was considered not liable for the Claim according to the judgement. As at the date of this announcement, the plaintiff is seeking an appeal on the judgement. The Directors do not consider it probable that the subsidiary will be found liable to the Claim and accordingly, no provision has been made as at 31 December 2020.

PLEDGE OF ASSETS

Included in cash at bank and on hand, RMB45,500,000 (2019: RMB7,500,000) was pledged as securities for the Group's bank loans as at 31 December 2020. The pledged and restricted bank deposits of RMB7,550,000 (2019: RMB7,210,000) were pledged as securities for the Group's foreign exchange forward contracts outstanding as at 31 December 2020.

Certificates of deposit of RMB70,000,000 (2019: Nil) (Note 10 to the financial statements in this announcement) were pledged one year as securities for the Group's bank loan as at 31 December 2020. As at 31 December 2020, the Group held a structured bank deposit issued by a bank with principal amount of RMB50,000,000 (2019: Nil) and a maturity date on 16 June 2021. Such structured deposit was pledged for one year as securities for the Group's bank loan as at 31 December 2020.

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.

PRINCIPAL RISKS AND RISK CONTROL MECHANISM

The Group has implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including administration of daily operations, financial reporting and recording, treasury management, compliance with applicable laws and regulations on environmental protection, and operation safety. The Board oversees and manages the overall risks associated with our operations. We have established the Audit Committee to review and supervise the financial reporting process and internal control system of the Group.

Principal Risks

For the year ended 31 December 2020, the following principal risks of the Group were identified and classified as follows:

- The business of the Group is subject to the development of the PRC government policies and any future unfavourable policies may materially and adversely affect our business development and performance. We cannot predict future changes in laws and regulations or government policies, which may vary and are beyond the control of the Group;

- The Group is dependent on our major suppliers and any instability in or shortages of supply of LPG and LNG from our major suppliers could significantly and adversely affect our business;

- PetroChina is our ultimate major supplier for CNG in Henan Province and any instability or shortages of supply of natural gas to us from PetroChina could significantly and adversely affect our business;

- The gross profit margin and growth in profit may fluctuate in the future as our purchase price and selling price of our gas products (including LPG, CNG and LNG) are sensitive to factors beyond our control;

- Competition from alternative vehicle fuels could be intensified, particularly with technological advancement of and increasing governmental support for electric vehicles, which may reduce the demand for our gas refuelling business;

- The Group is exposed to credit risk of our customers. If the credit worthiness of our customers deteriorates or if a significant number of our customers fails to settle their trade and bill receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected;

- The Group requires various licences and permits to commence, operate and expand our operation. Any failure to obtain or renew any or all of the licences and permits or any enforcement action taken against us for non-compliance incident which could involve suspension or termination of our licences or permits may materially and adversely affect our business and expansion plans; and

- The Pandemic had an adverse impact on our operating performance and financial position. If the Pandemic breaks out again or happens similar to any events that have a significant adverse impact on our business area, the relevant events may have a significant impact on our business.

The management team of the Company is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner while the effectiveness of our risk management framework will be evaluated at least once a year, and periodic management meetings are held to update the progress of risk monitoring efforts by the audit committee of the Company and the Board.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Friday, 18 June 2021 ("**2021 AGM**"). Notice of the 2021 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are eligible to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 11 June 2021 to Friday, 18 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 June 2021 for registration.

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 during the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognize the importance of incorporating elements of corporate governance in the management structures and internal control of our Group in order to achieve accountability and are committed to maintaining good corporate governance standards. The Company has applied the principles stated in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules.

The Board believes that good corporate governance standards are essential in maintaining a balanced composition of executive Directors and independent non-executive Directors (the "**INEDs**") for the Board to exercise independent judgment effectively and providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 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, one of the founders of the Company, was the Chairman and Chief Executive Officer of the Company. Mr. Ji was primarily responsible for planning our business and marketing strategies, supervising the overall operations of our Group, and overseeing the daily management of our businesses. During the year, Mr. Ji had been leading the Group as the Chief Executive Officer and actively involved in the core business of the Group 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 have Mr. Ji acting as the Chief Executive Officer and Chairman for effective management and business planing 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 INEDs. Major decisions were made by the Board after discussions and deliberations among Directors, including INEDs who brought independent judgment during the decision-making process. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code was appropriate in such circumstances.

In order to further enhance the corporate governance standard of the Group and comply with code provision A.2.1, Mr. Ji has stepped down from his role as the Chief Executive Officer of the Group with effect from 8 January 2021 and Ms. Ji Ling, an executive Director and Vice-Chairman, has been appointed as the Chief Executive Officer of the Group on the same day.

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 year ended 31 December 2020.

The Company has also adopted the Securities Dealing Code as the written guidelines (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising three INEDs, namely Dr. Zheng Jian Peng (Chairman), Mr. Wang Zhonghua and Mr. Sheng Yuhong. The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2020. There were no disagreements from the Audit Committee or the external auditors on the accounting policies adopted by the Company.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

SUFFICIENCY OF 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.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

Save as disclosed in Note 15 to the financial statements in this announcement, there has been no significant event that affected the Group after 31 December 2020 and up to the date of this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinogasholdings.com). The 2020 annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
Sino Gas Holdings Group Limited
Mr. Ji Guang
Chairman

Hong Kong, 30 March 2021

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

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

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