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 2022

BUSINESS HIGHLIGHTS

During the year, the sales volume of liquefied petroleum gas decreased by approximately 14.6% to approximately 308.5 thousand tonnes (2021: approximately 361.3 thousand tonnes), the sales volume of compressed natural gas decreased by approximately 16.2% to approximately 62.9 million cubic metres (2021: approximately 75.1 million cubic metres) and the sales volume of liquified natural gas decreased by approximately 86.3% to approximately 1.7 thousand tonnes (2021: approximately 12.4 thousand tonnes).

During the year, the revenue increased by approximately 2.1% to approximately RMB1,947.9 million (2021: approximately RMB1,907.8 million).

During the year, the gross profit decreased by approximately 5.9% to approximately RMB87.3 million (2021: approximately RMB92.8 million).

During the year, the profit for the year decreased by approximately 27.4% to approximately RMB6.1 million (2021: approximately RMB8.4 million).

During the year, the profit attributable to equity shareholders of the Company increased by approximately 14.4% to approximately RMB11.1 million (2021: approximately RMB9.7 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 2022, together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**1,947,946**	1,907,822
Cost of sales		**(1,860,651)**	(1,815,035)
Gross profit		**87,295**	92,787
Other income	*5*	**22,173**	41,914
Staff costs		**(33,095)**	(36,537)
Depreciation on property, plant and equipment and right-of-use assets		**(16,104)**	(23,649)
Short-term lease charges		**(1,853)**	(2,069)
Other operating expenses		**(33,070)**	(35,129)
Finance costs	*6*	**(14,393)**	(20,051)
Share of result of an associate		**(6)**	160
Share of result of a joint venture		**(1,141)**	(3,380)
Profit before taxation	*7*	**9,806**	14,046
Income tax expenses	*8*	**(3,664)**	(5,598)
Profit for the year		**6,142**	8,448
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss			
Exchange difference on translation of the Company's financial statements		**14,683**	(4,731)
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange difference on translation of functional currency to presentation currency		**(6,493)**	1,645
Other comprehensive income (loss) for the year		**8,190**	(3,086)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Total comprehensive income for the year		**14,332**	5,362
Profit (Loss) for the year attributable to:			
Equity holders of the Company		**11,076**	9,664
Non-controlling interests		**(4,934)**	(1,216)
Profit for the year		**6,142**	8,448
Total comprehensive income (loss) for the year attributable to:			
Equity holders of the Company		**19,266**	6,578
Non-controlling interests		**(4,934)**	(1,216)
Total comprehensive income for the year		**14,332**	5,362
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted	9	**5.13**	4.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**117,962**	137,302
Right-of-use assets		**23,766**	49,585
Interest in an associate		**20,154**	20,160
Interest in a joint venture		**12,347**	13,488
Financial assets measured at fair value through profit or loss		**24,367**	16,350
Deferred tax assets		**11,676**	11,384
		210,272	248,269
Current assets			
Inventories		**2,097**	2,937
Trade and other receivables	*11*	**211,172**	192,157
Income tax recoverable		**5,044**	4,154
Pledged and restricted deposits		**427,500**	394,500
Bank balances and cash		**91,833**	77,450
		737,646	671,198
Current liabilities			
Trade and other payables	*12*	**35,749**	24,855
Interest-bearing borrowings	*13*	**507,500**	476,500
Lease liabilities		**1,175**	3,313
		544,424	504,668
Net current assets		**193,222**	166,530
Total assets less current liabilities		**403,494**	414,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Non-current liabilities			
Lease liabilities		**2,886**	28,552
Deferred tax liabilities		**1,838**	1,809
		4,724	30,361
NET ASSETS		**398,770**	384,438
Capital and reserves			
Share capital	*14*	**1,892**	1,892
Reserves		**373,971**	354,705
Equity attributable to equity holders of the Company		**375,863**	356,597
Non-controlling interests		**22,907**	27,841
TOTAL EQUITY		**398,770**	384,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

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 registered address and the principal place of business of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 3103, Block A1, Caifu Shiji Square, 13 Haian Road, Tianhe District, Guangzhou, the People's Republic of China (the "**PRC**"), respectively.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 28 December 2018. The immediate parent of the Company is China Full Limited which is incorporated in Hong Kong. In the opinion of the directors, the ultimate controlling party of the Company is Mr. Ji Guang.

The Group is principally engaged in retail and wholesale of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**") in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"), the disclosure requirements of the Companies Ordinance (Cap. 622) (the "**CO**") and the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

Amendments to IAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant and equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of IAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project — 2018–2020 Cycle

IFRS 1: Subsidiary as a First-time Adopter

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16: Lease Incentives

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41: Taxation in Fair Value Measurements

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Impairment of property, plant and equipment and right-of-use assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-financial assets. These assets are tested for impairment at least annually or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgements relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Loss allowance for ECL

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

Impairment of investments and receivables

The Group assesses annually if interests in subsidiaries, an associate and a joint venture has suffered any impairment in accordance with IAS 36 and follows the guidance of IFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Depreciation rate of the property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Future changes in IFRSs

At the date of authorisation of these consolidated financial statements, the IASB has issued the following new/revised IFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to IAS 1	*Disclosure of Accounting Policies* [1]
Amendments to IAS 8	*Definition of Accounting Estimates* [1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* [2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* [2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of the new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

3. SEGMENT INFORMATION

The Group manages its reporting segments by different business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and the Board of Directors 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 and industrial customers.

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

For the purposes of assessing the performance of operating segments and allocating resources between segments, the Group's most senior executive management and the Board of Directors monitor 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, short-term lease charges and other operating 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.

Analysis of the Group's segmental information by business and geographical location during the year is set out below.

(a) Segment results

	Retail		**Wholesale**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	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	**250,271**	265,741	**1,697,675**	1,642,081	**1,947,946**	1,907,822
Reportable segment gross profit	**72,829**	80,129	**14,466**	12,658	**87,295**	92,787

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

	2022	2021
	RMB'000	*RMB'000*
Total reportable segment gross profit	**87,295**	92,787
Other income	**22,173**	41,914
Staff costs	**(33,095)**	(36,537)
Depreciation on property, plant and equipment and right-of-use assets	**(16,104)**	(23,649)
Short-term lease charges	**(1,853)**	(2,069)
Other operating expenses	**(33,070)**	(35,129)
Finance costs	**(14,393)**	(20,051)
Share of result of an associate	**(6)**	160
Share of result of a joint venture	**(1,141)**	(3,380)
Total consolidated profit before taxation	**9,806**	14,046

(c) 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 for the years ended 31 December 2022 and 2021.

(d) Information about major customers

No revenue from a single external customer amounted to 10% or more of the Group's revenue for the years ended 31 December 2022 and 2021.

4. REVENUE

		2022	
	Retail	**Wholesale**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from contracts with customers within IFRS 15			
— LPG	**6,805**	**1,652,837**	**1,659,642**
— CNG	**236,210**	**32,486**	**268,696**
— LNG	**7,256**	**3,334**	**10,590**
— Others	**–**	**9,018**	**9,018**
	250,271	**1,697,675**	**1,947,946**

		2021	
	Retail	Wholesale	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within IFRS 15			
— LPG	31,518	1,571,401	1,602,919
— CNG	212,252	29,505	241,757
— LNG	21,971	30,475	52,446
— Others	–	10,700	10,700
	265,741	1,642,081	1,907,822

5. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest revenue calculated using the effective interest method	**12,197**	16,496
Gain on disposal of property, plant and equipment, net	**–**	254
Gain on lease modification	**2,364**	–
Lease income under operating leases	**5,744**	5,442
Net fair value gain (loss) of financial assets measured at FVPL	**8,017**	(2,114)
Government grants *(Note)*	**290**	523
Exchange (loss) gain, net	**(6,680)**	2,337
Wavier of the overprovision of accrued berthing services charges	**–**	18,125
Sundry income	**241**	851
	22,173	41,914

Note: The government grants represented the incentive subsidies received from various PRC government authorities. There are no conditions or future obligations attached to these grants.

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**13,423**	17,957
Interest on lease liabilities	**970**	2,094
	14,393	20,051

7. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2022	2021
	RMB'000	*RMB'000*
Other items		
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**29,463**	32,764
Contribution to defined contribution retirement schemes *	**3,411**	3,441
Termination benefits	**221**	332
	33,095	36,537

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories[#]	**1,848,949**	1,798,141
Auditor's remuneration	**1,100**	1,100
Depreciation		
— Property, plant and equipment	**12,554**	14,950
— Right-of-use assets	**3,550**	8,699
Loss (Gain) on disposal of property, plant and equipment, net	**5,985**	(254)
Exchange loss (gain), net	**6,680**	(2,337)
Provision for impairment loss on property, plant and equipment	**–**	2,241

* During the year ended 31 December 2021, the PRC government granted reductions or exemptions from social securities contribution to PRC subsidiaries due to the Covid-19 pandemic.

[#] The Group's cost of inventories primarily consisted of the cost of procuring LPG, CNG and LNG from the Group's suppliers.

8. TAXATION

	2022	2021
	RMB'000	*RMB'000*
Current tax		
Current year	**4,302**	7,053
(Over) Under provision in prior year	**(375)**	1,380
	3,927	8,433
Deferred taxation		
Origination and reversal of temporary difference	**(263)**	(2,835)
Total income tax expense for the year	**3,664**	5,598

(a) 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 for the years ended 31 December 2022 and 2021.

(b) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2021: 16.5%). Hong Kong Profits Tax has not been provided as the Group had no assessable profits for the years ended 31 December 2022 and 2021.

(c) The statutory PRC Corporate Income Tax ("**CIT**") for the PRC subsidiaries are 25% (2021: 25%).

In addition, certain PRC subsidiaries of the Group meet the following three conditions and are classified as small low-profit enterprises. These conditions are: (i) annual taxable amount of not more than RMB3,000,000; (ii) number of employees of not more than 300; and (iii) total assets of not exceeding RMB50,000,000.

Pursuant to the Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing Preferential Tax Policies for Small Low-profit Enterprises [No. 13, 2022] jointly issued by the Ministry of Finance and the State Taxation Administration, the portion of assessable profits which does not exceed RMB1,000,000 shall be subject to CIT at 20% tax rate after reduction of 87.5% of the assessable profits; and the portion of assessable profits exceeded RMB1,000,000 but not exceeding RMB3,000,000 shall be subject to CIT at 20% tax rate after reduction of 75% of assessable profits.

(d) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%. The Group's Hong Kong subsidiaries are subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries, an associate and a joint venture.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to the ordinary equity shareholders of the Company of approximately RMB11,076,000 (2021: approximately RMB9,664,000) and the weighted average number of 216,000,000 (2021: 216,000,000) shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted earnings per share is the same as basic earnings per share for the years presented.

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

11. TRADE AND OTHER RECEIVABLES

	Note	2022 RMB'000	2021 RMB'000
Trade receivables			
From third parties		**111,862**	86,535
From a joint venture		**39,097**	26,752
		150,959	113,287
Less: Loss allowance		**(1,846)**	(1,846)
	11(a)	**149,113**	111,441
Other receivables			
Value-added tax receivables		**–**	6,954
Prepayments for purchase of inventories		**36,779**	50,405
Loan to a third party		**6,271**	7,672
Deposits and other receivables		**27,092**	23,768
		70,142	88,799
Less: Loss allowance		**(8,083)**	(8,083)
		62,059	80,716
		211,172	192,157

11(a) The ageing analysis of trade receivables by invoice date and net of loss allowance is summarised as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**144,264**	79,016
1 to 3 months	**3,717**	25,936
3 to 6 months	**1,132**	6,147
6 to 12 months	**–**	342
	149,113	111,441

12. TRADE AND OTHER PAYABLES

	Note	2022 RMB'000	2021 RMB'000
Trade payables			
To third parties	*12(a)*	**6,863**	2,723
Contract liabilities		**8,859**	4,010
Other payables			
Payables for purchase and construction of property, plant and equipment		**–**	3,690
Accrued charges and other payables		**14,198**	11,315
Employee benefits payables		**2,775**	2,419
Other tax payables		**3,054**	698
		20,027	18,122
		35,749	24,855

12(a) The trade payables to third parties are unsecured, interest-free and with credit period of 30 to 90 days.

The ageing analysis of trade payables by invoice date is summarised as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**4,620**	1,564
1 to 3 months	**204**	407
3 to 6 months	**512**	752
Over 6 months	**1,527**	–
	6,863	2,723

13. INTEREST-BEARING BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Secured bank loans	**507,500**	476,500

The maturity of the interest-bearing borrowings and analysis of the amount due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) are as follows:

	2022	2021
	RMB'000	*RMB'000*
Current portion	**507,500**	476,500

14. SHARE CAPITAL

	2022		2021	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000,000**	**20,000**	2,000,000,000	20,000
	Number of shares	***RMB'000***	Number of shares	*RMB'000*
Issued and fully paid:				
At the beginning of the year and at the end of the reporting period	**216,000,000**	**1,892**	216,000,000	1,892

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the year 2022, a variety of shocks such as the recurrent epidemic, the mounting inflationary pressures and geopolitical turmoil have slowed down the progress of global economic recovery and led to a slow recovery of the global energy supply chain and an intensive conflict between supply and demand.

The geopolitical turmoil triggered by the black swan event — the Russian-Ukrainian conflict — had a strong impact on the global energy market with soaring international crude oil prices driving up energy prices while liquefied petroleum gas prices were in a high and volatile state during the year. In 2022, China's liquefied petroleum gas production was estimated to be 49.19 million tonnes, representing a year-on-year increase of 3.42% as compared to the corresponding period, while China's apparent consumption of liquefied petroleum gas was estimated to be 74.94 million tonnes, representing a year-on-year increase of 5.51%, with a slower growth rate on both the supply and sales sides. Due to the rapid development of refining-petrochemical integration and the consolidation of refineries, deep processing capacity increased significantly, leading to an increase in the volume of chemical use and an increase in the proportion of chemicals. As natural gas prices soared, it became less possible to substitute other fuels in respect of combustion. Although the demand for domestic liquefied petroleum gas has declined, the overall decline was limited. Due to the poor performance of the current economic environment, the consumption of natural gas in the commercial and industrial sectors had been declining and it covered an incredibly small proportion of the vehicular sectors. In response to the national policies and guidelines, the Group has closed one remaining liquefied petroleum gas vehicular refuelling station during the year and has withdrawn from the liquefied petroleum gas vehicular market. After a thorough study and judgement of the current trend, the Group aimed at opportunities in the chemical and domestic sectors of liquefied petroleum gas, promoted the upgrading of terminals, improved logistics services, developed domestic terminal stations and increased marketing efforts.

Natural gas market was heavily impacted. The tension in the supply of natural gas caused imbalance between supply and demand in the market. Exorbitant prices curtailed the growth of demand for natural gas to some extent and the consumption of natural gas has seen a decline across regions consequently. The recurrent epidemic has impacted natural gas demand frequently. The apparent consumption of natural gas was 366.3 billion cubic metres, representing a year-on-year decrease of 1.7%, which was the first "negative growth" since the deepening of the oil and gas system reform in 2017 and there was a year-on-year decrease of 0.4% in the proportion of natural gas in domestic energy consumption. In the face of the complex external environment, the production, supply, storage, and sales of domestic natural gas worked in synergy and took various measures of ensuring reinforcement in three respects, stability on three fronts and security in three areas, which could be interpreted as “reinforcing domestic production, facilities and markets”, “stabilising imports, prices and expectations”, and “securing contracts, people’s well-being and stocks”. The overall development tends to be stable. During the year, as many major cities in the PRC implemented strict coronavirus lockdown measures, the areas of the Group’s natural gas business operation were impacted continuously. The Group prudently considered disruptive factors from macro level to micro level, relying on its advantage of its own mother station, logistics, terminal stations and years of experience in the industry to strengthen and stabilise upstream cooperation, formulate sound marketing strategies and intensify efforts to maintain supply.

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 in Guangdong Province, Henan Province and Hebei Province 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 17 years of proven track records in the industry.

For the year ended 31 December 2022, the Group has recorded revenue of approximately RMB1,947.9 million, representing an increase of approximately RMB40.1 million as compared to approximately RMB1,907.8 million in 2021. The increase in revenue was mainly attributable to the unit selling price of LPG and CNG during the year.

(1) LPG Business

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. 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 joint venture of the Group. 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. LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances.

As at 31 December 2022, the Group had 1 LPG terminal equipped with storage facilities and 3 LPG domestic stations in Guangdong Province through Jiangmen Xinjiang Gas. Compared with the same period in 2021, we reduced 1 LPG vehicular refuelling station and added 1 LPG domestic station. During the year, we ceased to operate 1 LPG vehicular refuelling station in Guangzhou and completely withdrew from the market of LPG for vehicular use under the influence of the structural adjustment on transportation energy policy. Meanwhile, the Group proactively exploited LPG domestic stations and established and operated a new LPG domestic station through Jiangmen Xinjiang Gas during the year.

For the year ended 31 December 2022, the Group has recorded an LPG sales revenue of approximately RMB1,659.6 million, representing an increase of approximately RMB56.7 million as compared to approximately RMB1,602.9 million in 2021. The increase in revenue was mainly attributable to the rise in the unit selling price of LPG.

(2) CNG Business

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 be supplied to our CNG mother stations, with our own logistics fleet being the major logistic system 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. CNG is widely used in short distance vehicles such as local buses, taxis and private vehicles.

As at 31 December 2022, we had 11 CNG vehicular refuelling stations, 1 liquefied-to-compressed natural gas (the "**L-CNG**") vehicular refuelling station and 3 CNG mother stations in Henan Province. Compared with the same period in 2021, we reduced 1 CNG vehicular refuelling station which was mainly because we contracted 1 CNG vehicular refuelling station in Zhumadian out to a third-party company and the third-party company planned to demolish it and convert it into a petroleum refuelling station.

For the year ended 31 December 2022, the Group has recorded the CNG sales revenue of approximately RMB268.7 million, representing an increase of approximately RMB26.9 million as compared to approximately RMB241.8 million in 2021. The increase in revenue was mainly attributable to the rise in the unit selling price of CNG 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 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.

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.

As at 31 December 2022, we had 1 L-CNG vehicular refuelling station in Henan Province. Compared with the same period in 2021, we reduced 2 LNG vehicular refuelling stations. This was mainly because small amount of business in Guangdong Province and high purchase price of LNG caused operating loss and it was expected to be irreversible in the future. Therefore, the Group shut down and disposed of 2 LNG vehicular refuelling stations.

For the year ended 31 December 2022, the Group has recorded the LNG sales revenue of approximately RMB10.6 million, representing a decrease of approximately RMB41.8 million as compared to approximately RMB52.4 million in 2021. The decrease in revenue was mainly due to the decrease in the sales volume of LNG during the year.

As at 31 December 2022, we operated a total of 18 gas refuelling stations and 3 petroleum refuelling stations, three of which are jointly-owned gas refuelling stations in Jiangmen, Guangdong Province.

As at 31 December 2022, the number of our gas refuelling stations and petroleum refuelling stations in operation are set out below:

	As at 31 December 2022	As at 31 December 2021
Gas refuelling stations		
LPG station	**3**[(1)]	3
CNG station	**11**	12
LNG station	**0**	2
L-CNG station	**1**	1
CNG mother station	**3**	3
Total number of gas refuelling stations	**18**	21
Petroleum refuelling stations		
Petroleum refuelling stations	**3**	3
Total	**21**	24

Meanwhile, as at 31 December 2022, 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	0	0[3]	0	0	0	0
Jiangmen, Guangdong Province	3[2]	0	0	0	0	3
Total number of stations in Guangdong Provinces	3	0	0	0	0	3
Xinyang, Henan Province	0	0	0[4]	0	0	0
Zhengzhou, Henan Province	0	0	8	0	1	9
Zhumadian, Henan Province	0	0	3[5]	0	2	5
Xinzheng, Henan Province	0	0	3[6]	1	0	4
Total number of stations in Henan Province	0	0	14	1	3[7]	18
Total	3	0	14	1	3	21

Notes:

1. During the year, we reduced 1 LPG vehicular refuelling station in Guangzhou and completely withdrew from the market of LPG for vehicular use under the influence of the structural adjustment on transportation energy policy. Meanwhile, the Group proactively exploited LPG domestic stations and established and operated a new LPG domestic station through Jiangmen Xinjiang Gas during the year.

2. The three LPG domestic stations are owned by Jiangmen Xinjiang Gas, a joint venture of the Group.

3. Due to small amount of business in Guangdong Province and high purchase price of LNG, operating loss was incurred and it was expected to be irreversible in the future. Therefore, the Group shut down and disposed of 2 LNG vehicular refuelling stations.

4. We contracted 1 CNG vehicular refuelling station in Zhumadian, Henan Province out to a third-party company and the third-party company planned to demolish it and convert it into a petroleum refuelling station.

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

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

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

The revenue by product mix for the years ended 31 December 2022 and 2021 are summarised below:

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Sales volume *(Note)*	**Revenue** *(RMB'000)*	**Percentage of revenue** *(%)*	Sales volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**800**	**6,805**	**0.3%**	4,951	31,518	1.7%
CNG	**53.9**	**236,210**	**12.1%**	64.2	212,252	11.1%
LNG	**1,041**	**7,256**	**0.3%**	4,395	21,971	1.1%
Sub-total		**250,271**	**12.7%**		265,741	13.9%
Wholesale						
LPG	**307,702**	**1,652,837**	**84.9%**	356,323	1,571,401	82.4%
CNG	**9.0**	**32,486**	**1.7%**	10.9	29,505	1.5%
LNG	**684**	**3,334**	**0.2%**	8,014	30,475	1.6%
Others		**9,018**	**0.5%**		10,700	0.6%
Sub-total		**1,697,675**	**87.3%**		1,642,081	86.1%
Total		**1,947,946**	**100.0%**		1,907,822	100.0%

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

Looking back on the three-year against the epidemic, China has insisted on efficiently coordinating the prevention and control of the epidemic with economic and social development to ensure the safety of the public to the greatest extent possible and has also made an important and active contribution to promoting global economic recovery. Since 7 December 2022, a number of Chinese cities have successively lifted the restrictions. As the prevention and control of the epidemic was continuously promoted in a scientific and precise manner, a strong recovery of the real economy was boosted, people's life became much convenient and the prevention and control of the epidemic turned more people-oriented and more effective. In 2023, China will definitely adopt a series of strong economic recovery measures to support real economic development in a high-quality manner, which usher in a promising future.

In 2023, crude oil prices will be impacted and probably remain at high levels of oscillation and the trend of liquefied petroleum gas price is also expected to be at high levels of oscillation against the backdrop of the remaining uncertainty triggered by the escalated geopolitical conflict and the firm attitude of Organization of Petroleum Exporting Countries (the "**OPEC**") and non-OPEC oil producers towards production cuts. From the supply side, the process of domestic refining-petrochemical integration is unstoppable, deep processing capacity will be further released, the volume of refinery self-use will rise significantly and the growth rate of external release will be less than the production capacity. In the aspect of demand, since the user demand has rebound, the application in the chemical sector will increase year by year. As the price of natural gas remains high, domestic liquefied petroleum gas become a better substitute. Overall, demand is rising and supply is slightly tight and the fundamentals of liquefied petroleum gas are well supported and will see a favorable trend. The Group will continuously endeavor to expand our business layout of liquefied petroleum gas in the residential, chemical and commercial sectors in South China, rooting in its geographical advantage and the industry advantages it has accumulated over years of operation, making more users within the area targetedly served by means of our stations, actively developing distribution customers, extending the scope of services by logistics and transportation, strengthening communication and cooperation throughout the industrial chain, enhancing service quality and reinforcing production safety management quality.

The National Development and Reform Commission and the National Energy Administration jointly issued the "Plan for Modern Energy System during the 14th Five Year Period", mentioning that in 2025 the annual domestic natural gas production will reach more than 230 billion cubic metres and enhancing gas storage capacity will reach 55-60 billion cubic metres across the nation which will account for approximately 13% of natural gas consumption. The national oil and gas pipeline network should reach about 210,000 kilometers, focusing on the "addition", increasing the supply capacity of clean energy, and "subtraction", reducing carbon emissions in the energy industry chain. The report to the 20th National Congress of the Communist Party of China has mentioned that based on China's energy resources, we should be committed to breaking through before making achievements and implementing the peak carbon dioxide emissions systematically while promoting the energy revolution in depth. In view of this, if China, the world's largest energy producer and consumer, wants to get rid of the dilemma of being "rich in coal, scarcity of oil, shortage in gas" and achieve the "double carbon" goal as scheduled, the general trend of low-carbon energy mix will be irreversible. As natural gas is still in line with the recent energy transformation to low-carbon, zero-carbon emissions of clean energy to replace the high-carbon emissions of fossil energy, increasing the proportion of natural gas in the energy mix is the most realistic choice for the current reform. Looking forward to 2023, as domestic economy improve, international gas prices gradually return to a stable level and the natural gas consumption in China is expected to see a resurgent growth. The Group will continue to pay attention to changes in the internal and external circumstances, actively participate in and promote gas market reform, coordinate natural gas procurement plans, utilize data to accurately analyze supply and demand, and assure customers' demand for gas. In addition, we will take advantage of self-owned gas stations and logistics fleets to build a comprehensive service network, make tailor-made service solutions for different kinds of downstream customers, and serve each business partner with a pragmatic and cooperative attitude.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group has recorded revenue of approximately RMB1,947.9 million, representing an increase of approximately RMB40.1 million as compared to approximately RMB1,907.8 million in 2021. The increase in revenue was mainly attributable to the rise in the unit selling price of LPG and CNG during the year.

Revenue from contracts with customers within the scope of IFRS 15	**2022**	2021
	RMB'000	*RMB'000*
LPG	**1,659,642**	1,602,919
CNG	**268,696**	241,757
LNG	**10,590**	52,446
Others	**9,018**	10,700
	1,947,946	1,907,822

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 RMB45.7 million from approximately RMB1,815.0 million in 2021 to approximately RMB1,860.7 million in 2022, which was mainly due to the rise in the purchase unit price of LPG and CNG.

For the year ended 31 December 2022, the gross profit of the Group was approximately RMB87.3 million, representing a decrease of approximately RMB5.5 million as compared to approximately RMB92.8 million in 2021. The decrease in gross profit margin was due to the rise in the purchase price of LPG and LNG and the decrease in the retail sales volume of LPG and LNG for vehicular use which has relatively higher gross profit margin.

Other Income

For the year ended 31 December 2022, the Group's other income amounted to approximately RMB22.2 million, representing a decrease of approximately RMB19.7 million as compared to approximately RMB41.9 million in the corresponding period in 2021. This was mainly due to the decrease in interest revenue and no such wavier of the overprovision of accrued berthing services charges during the year.

Staff Costs

For the year ended 31 December 2022, the Group's staff costs were approximately RMB33.1 million, representing a decrease of approximately RMB3.4 million as compared to approximately RMB36.5 million in 2021. This was mainly due to the cessation of operation of the four refuelling stations of the Group which led to the reduction of some refuelling station employees during the year.

Depreciation

For the year ended 31 December 2022, the depreciation of the Group was approximately RMB16.1 million, representing a decrease of approximately RMB7.5 million as compared to approximately RMB23.6 million in 2021. The decrease was mainly due to the closure of four vehicular refuelling stations and the reduction of assets incurred by the disposal of related assets by the Group during the year.

Short-term Lease Charges

For the year ended 31 December 2022, the short-term lease charges of the Group was approximately RMB1.9 million, representing a decrease of approximately RMB0.2 million in the short-term lease charges of the Group as compared to approximately RMB2.1 million in 2021. The decrease was mainly due to the decrease in short-term lease charges incurred by the closure of four vehicular refuelling stations of the Group during the year.

Other Operating Expenses

For the year ended 31 December 2022, the Group's other operating expenses were approximately RMB33.1 million, representing a decrease of approximately RMB2.0 million as compared to approximately RMB35.1 million in 2021. This was mainly due to the closure of four vehicular refuelling stations and incurred by the disposal of related assets by the Group during the year.

Finance Costs

For the year ended 31 December 2022, the Group's finance costs were approximately RMB14.4 million, representing a decrease of approximately RMB5.7 million as compared to approximately RMB20.1 million in 2021. This was mainly due to the decrease in bank borrowing rates in 2022.

Profit Before Taxation

For the year ended 31 December 2022, the Group's profit before taxation was approximately RMB9.8 million, representing a decrease of approximately RMB4.2 million as compared to approximately RMB14.0 million in 2021.

Income Tax Expenses

For the year ended 31 December 2022, the Group's income tax expenses was approximately RMB3.7 million, representing a decrease of approximately RMB1.9 million as compared to approximately RMB5.6 million in 2021.

Profit for the Year

On the basis of the aforementioned reasons, for the year ended 31 December 2022, the Group achieved a profit for the year of approximately RMB6.1 million, representing a decrease of approximately RMB2.3 million as compared to approximately RMB8.4 million in 2021.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2022, the financial position of the Group remained stable. The total value of assets was approximately RMB947.9 million, representing an increase of approximately RMB28.4 million as compared to the total value of assets of approximately RMB919.5 million in 2021. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 31 December 2022, the Group had approximately RMB91.8 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 amounted to approximately RMB4.9 million for the year ended 31 December 2022.

Interest-bearing Borrowings

The Group's interest-bearing borrowings as at 31 December 2022 and 2021 are summarised below:

	2022	2021
	RMB'000	*RMB'000*
Secured bank loans	**507,500**	476,500

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 57.9% as at 31 December 2022 (31 December 2021: approximately 58.2%). The decrease in gearing ratio was mainly attributable to the increase in trade and other receivables.

Final Dividend

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 434 employees (2021: 448), including 70 employees (2021: 59) 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 remuneration payable to its employees includes salaries and allowances. The Group attaches importance to the creation and devotion of employees, acknowledges the important position of talent resource in the development of business operation and is committed to develop and maintain good relationship with employees. 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 Hong Kong 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 2022, the Group had utilized approximately HK$68.6 million, representing approximately 57.0% 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 2022 *HK$ million*	Remaining balance as at 31 December 2022 *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 2023[1]
To strengthen our LPG logistics and storage capacity by constructing storage facilities[2]	21.7	21.7	0	21.7	By the end of 2023[2]
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station	27.7	14.5	14.5	0	Nil

Intended use of proceeds	Original allocation	Revised allocation as at 27 February 2020[3]	Utilisation as at 31 December 2022	Remaining balance as at 31 December 2022	Expected timeline for full utilisation of the remaining proceeds[4]
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	
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	4.9	9.5	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	68.6	51.7[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. As the economic situation remains gloomy at present, the Group will identify suitable acquisition targets by adopting a prudent strategy. Therefore, the use of such proceeds is expected to be utilised by the end of 2023.

2. The construction of storage facilities are affected by the change of project progress and the epidemic, and the Group will delay the use of net proceeds accordingly and delay the construction of the storage facility by the end of 2023.

3. The Group acquired 50% of the equity interests of Henan Blue Sky Sino Gas Technology Company Limited and fully utilised the redistributed net proceeds at the end of March 2020. For details, please refer to the 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.

5. As at 31 December 2022, 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 currency 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 Hong Kong Dollar. 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 for the year ended 31 December 2022. 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 2022, the Group held unlisted equity securities of approximately RMB24.4 million, which was a supplemental means to improve utilisation of our cash on hand.

For the year ended 31 December 2022, apart from the plans mentioned in section "Use of Proceeds from the Listing", the Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

For the year ended 31 December 2022, the Group had no material acquisitions and disposals of subsidiaries, associates 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 RMB64,426,000 (the "**Claim**"). In 2020, a judgement was determined in favour of the subsidiary of the Group without liability. In 2021, the aforesaid judgement was revoked for a re-trial and subsequently were completed and determined that the no liability was required for the Group in 2022. After the completion of re-trial, the plaintiff had further submitted an appeal on the judgement.

As at the date of this announcement, the date of court hearing of the Claim is not yet confirmed. Based on legal advise sought, 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 2022.

PLEDGE OF ASSETS

As at 31 December 2022, RMB427,500,000 (2021: RMB394,500,000) of pledged and restricted deposits was pledged as securities for the Group's bank loans.

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 of the Company (the "**Audit Committee**") to review and supervise the financial reporting process and internal control system of the Group. 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 and the Board. The Group monitors material risks and improves ability against risks by building standard norms and effective risk control mechanism.

Principal Risks

For the year ended 31 December 2022, 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; and

- The vagaries of the Pandemic had an adverse impact on our operating performance and financial position. If the outbreak of the Pandemic re-emerges or escalates or any similar public safety incidents that have a significant adverse impact on our business area happen, the relevant events may have a significant impact on our business and financial position.

- The occurrence of force majeure such as the slowdown in macro-economy may affect the operation and performance of the Company.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Tuesday, 20 June 2023 ("**2023 AGM**"). Notice of the 2023 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 2023 AGM, the register of members of the Company will be closed from Wednesday, 14 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 June 2023 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 2022.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2022.

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 2022. 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 the Audit Committee comprising of 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 2022. There were no disagreements from the Audit Committee or the external auditors on the accounting policies adopted by the Company.

SCOPE OF WORK OF MAZARS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, Mazars CPA Limited ("**Mazars**"), Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars 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 on this announcement.

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

There has been no significant event that affected the Group after 31 December 2022 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 2022 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 2023

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