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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Sheng Yuhong
Mr. Wang Zhonghua
Dr. Zheng Jian Peng

AUDIT COMMITTEE

Dr. Zheng Jian Peng *(Chairman)*
Mr. Wang Zhonghua
Mr. Sheng Yuhong

REMUNERATION COMMITTEE

Mr. Wang Zhonghua *(Chairman)*
Dr. Zheng Jian Peng
Mr. Sheng Yuhong

NOMINATION COMMITTEE

Mr. Sheng Yuhong *(Chairman)*
Dr. Zheng Jian Peng
Mr. Wang Zhonghua

COMPANY SECRETARY

Ms. Cheng Mei Chun

AUTHORISED REPRESENTATIVES

Ms. Ji Ling
Ms. Cheng Mei Chun

REGISTERED OFFICE

Cricket Square, Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

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Guangzhou, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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AUDITORS

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10 Chater Road
Central, Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, 20/F, Chinachem Century Tower
178 Gloucester Road
Wan Chai, Hong Kong

HONG KONG LEGAL ADVISER

WAN & TANG
23/F, Somptueux Central
52 Wellington Street
Central, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Co., Ltd.
Guangzhou Liuhua Branch
Bank of China Zhuhai Branch
China Construction Bank Co., Ltd.
Zhuhai Xiangzhou Branch

COMPANY'S WEBSITE ADDRESS

www.sinogasholdings.com

STOCK CODE

1759

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

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

For liquefied petroleum gas ("LPG"), total LPG product imports in China amounted to 9.87643 million tons for the first half of 2019. Influenced by changes in the national energy structure, LPG as a fuel would be bound to certain constraints in the transportation energy field, but with the accelerated progress of urbanization in China, there were great changes in role of LPG as domestic fuel, and the number of LPG users in the rural area has been increasing. Meanwhile, with the improvement of living standards, people had a higher demand for product, and ceramics, electrical appliances, glass products and other industries had to replace the original fuel with LPG, which further broadened the application range of LPG, therefore, we are also actively exploring and developing into LPG domestic gas market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

Notes:

1. The Group disposed of a LPG domestic station in Ganzhou City, Jiangxi Province in May 2019.

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

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

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

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

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

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

	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Sales volume (Note)	Revenue (RMB'000)	Percentage of revenue (%)	Sales volume (Note)	Revenue (RMB'000)	Percentage of revenue (%)
Retail						
LPG	9,931	59,326	8.8%	25,632	152,548	27.4%
CNG	42.32	139,944	20.8%	28.8	90,737	16.3%
LNG	510	2,542	0.4%	348	1,708	0.3%
Sub-total		201,812	30.0%		244,993	44.0%
Wholesale						
LPG	124,129	441,634	65.6%	82,988	302,667	54.3%
CNG	3.48	10,046	1.5%	0.4	1,189	0.2%
LNG	2,123	8,387	1.2%	1,394	6,050	1.1%
Sub-total		460,067	68.3%		309,906	55.6%
Logistic service		11,204	1.7%		2,269	0.4%
Total		673,083	100%		557,168	100%

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

OUTLOOK AND PROSPECTS

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of Sales and Gross Profit

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

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

Other Income

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

Staff Costs

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

Operating Lease Charges

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

Other Operating Expenses

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

Finance Costs

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

Profit Before Taxation

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

Income Tax

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

Profit for the Period

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

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

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

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

Capital Expenditure

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

Borrowings

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

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

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 48.7% as at 30 June 2019 (31 December 2018: 50.4%). The decrease in gearing ratio was mainly attributable to the decrease in the Group's trade and bills payables.

Employees and Remuneration Policies

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

Use of Proceeds from the Listing

On 28 December 2018, the shares of the Company were listed on the Main Board of the Stock Exchange by way of global offering. The Group intends to apply the proceeds from the Listing in accordance with the intended use set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

After deduction of all relevant listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK$120.3 million. Up to 30 June 2019, the Group has utilized the net proceeds from the Listing as follows:

Intended use of proceeds	Net proceeds raised from the Listing	**Actual use of net proceeds up to 30 June 2019**	Unutilized net proceeds up to 30 June 2019
To acquire operating rights of a LPG domestic station[1]	HK$20.5 million	**0**	HK$20.5 million
To strengthen our LPG logistics and storage capacity by constructing storage facilities	HK$21.7 million	**0**	HK$21.7 million
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station[2]	HK$27.7 million	**0**	HK$27.7 million
To construct new stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing stations[2]	HK$24.1 million	**0**	HK$24.1 million
To increase our logistics capacity by purchasing additional vehicle fleets	HK$14.4 million	**0**	HK$14.4 million
General working capital	HK$12.0 million	**0**	HK$12.0 million
Total	HK$120.3 million	**0**	HK$120.3 million

Notes:

1. The Group intends to acquire the operating rights of a LPG domestic station in the first half of 2019, but has yet to identify any suitable acquisition target, so the proceeds have not been utilized. As of the date of this report, the Group has been actively seeking suitable acquisition target.

2. Our expansion plan during the first half of 2019 was temporarily funded by our own funds and was subject to the changes in project construction progress, so the proceeds have not been utilized.

As at 30 June 2019, the Group expected that, except for those described in the notes above, there would be no change in the planned use and timing of the use of proceeds from the Listing, and the unutilized net proceeds would be deposited into interest-bearing bank accounts.

FOREIGN EXCHANGE EXPOSURE

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

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

TREASURY POLICIES

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

Our finance department is responsible for treasury management functions, including, 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 CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR JOINT VENTURES

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

COMMITMENTS AND CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

TAX RELIEF AND EXEMPTION

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Name of Director	Capacity/nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of shareholding (%) (Note 2)
Mr. Ji Guang ("Mr. Ji")	Founder of a discretionary trust, interest in controlled corporations (Note 3)	162,000,000 shares (L)	75%

Notes:

1. The letter "L" denotes to the person with long position in the shares.

2. The calculation is based on the total number of 216,000,000 shares in issue as at 30 June 2019.

3. These interests comprise 121,500,000 shares held by China Full Limited ("China Full"), 24,300,000 shares held by Petrochemical Gas Energy Group Limited ("PCG Employee BVI") and 16,200,000 shares held by Petrochemical Gas Energy Limited ("PCG BVI").

   China Full is wholly owned by Sino Gas Holdings Group Limited ("Sino Gas BVI"), a wholly-owned subsidiary of Petrochemical Gas Group Limited ("VISTA Co"), which is wholly owned by UBS Trustees (BVI) Limited ("UBS Trustees") through UBS Nominees Limited.

   UBS Trustees acts as the trustee of J&Y Family Trust, which is a discretionary trust established by Mr. Ji (as founder and protector) and under the relevant deed which constitutes the J&Y Family Trust, the trustee shall only add or remove discretionary objects of J&Y Family Trust with the consent of the protector. The discretionary objects of J&Y Family Trust include Mr. Ji himself, his spouse and his daughter, Ms. Ji Ling who is an executive Director. By virtue of the SFO, Mr. Ji is deemed to be interested in the same parcel of shares held by China Full.

   Both PCG Employee BVI and PCG BVI are wholly owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in the both parcels of shares held by PCG Employee BVI and PCG BVI.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of shareholding (%) (Note 2)
UBS Trustees	Trustee of a trust	121,500,000 shares (L)	56.25%
UBS Nominees Limited	Interest of controlled corporation (Note 3)	121,500,000 shares (L)	56.25%
VISTA Co	Interest of controlled corporation (Note 3)	121,500,000 shares (L)	56.25%
Sino Gas BVI	Interest of controlled corporation (Note 3)	121,500,000 shares (L)	56.25%
China Full	Beneficial owner	121,500,000 shares (L)	56.25%
PCG Employee BVI	Beneficial owner	24,300,000 shares (L)	11.25%
PCG BVI	Beneficial owner	16,200,000 shares (L)	7.50%

Notes:

1. The letter "L" denotes to the person with long position in the shares.

2. The calculation is based on the total number of 216,000,000 shares in issue as at 30 June 2019.

3. UBS Trustees, the trustee of J&Y Family Trust, in its capacity as trustee (through UBS Nominees Limited, its wholly-owned subsidiary) holds the entire issued share capital of VISTA Co, which in turn indirectly owns the entire equity interest of China Full through Sino Gas BVI, all of which are indirectly wholly owned by UBS Trustees in its capacity as trustee. J&Y Family Trust a discretionary trust established by Mr. Ji and the discretionary objects of the Trust include Mr. Ji himself, his spouse and his daughter, Ms. Ji Ling. By virtue of the SFO, UBS Trustees, UBS Nominees Limited, VISTA Co and Sino Gas BVI are deemed to be interested in the same parcel of shares held by China Full.

   Both PCG Employee BVI and PCG BVI are wholly owned by Mr. Ji.

Save as disclosed above, as at 30 June 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") has been conditionally adopted on 22 November 2018.

Purpose	To enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broad basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.
Who may join	Our Directors may at any time within a period of ten years commencing from the date of adoption of the Share Option Scheme, at its absolute discretion, in accordance with the provisions of the Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants ("Eligible Participant"), to take up options to subscribe for Shares: (i) any employee ("Eligible Employee") (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("Invested Entity") in which any member of our Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of our Group or any Invested Entity; (iv) any customer of any member of our Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity; (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group; and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

Maximum number of shares available for subscription under the scheme	(i) The maximum number of shares of the Company which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time. (ii) The total number of the shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the Listing Date (such 10% being 21,600,000 shares).
Maximum entitlement of each participant	The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.
Time of acceptance and exercise of an option	An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.
Performance targets	Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.
Subscription price for the shares and consideration for the option	The subscription price for the shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant of the option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant of the option; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.
Period of the Share Option Scheme	The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

No options had been granted or agreed to be granted under the Share Option Scheme since its adoption and up to the date of this report. The Company did not have any outstanding share options, warrants and convertible instruments as at 30 June 2019 and up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CHANGES OF INFORMATION OF DIRECTORS

According to Rule 13.51B(1) of the Listing Rules, the changes of information of the Company's Directors since the publication of the Company's annual report of last year are set out below:

Mr. Wang Zhonghua was granted the professional qualification of senior engineer by the Shenzhen Senior Professional Technology Qualification Committee for Engineering Technology in April 2019.

Since 2019, Ms. Ji Ling was appointed as the director of various subsidiaries of the Company, including Sino Gas New Energy Investment Limited, Guangzhou Sino Gas Natural Gas Company Limited, Guangzhou Sino Gas Logistics Company Limited, Guangzhou Sino Gas New Energy Company Limited, Guangzhou Sino Gas Investment Company Limited and Sino Gas Investment Group Limited.

OTHER INFORMATION

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

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

DIVIDENDS

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

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 report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

REVIEW OF THE CONSOLIDATED INTERIM RESULTS BY THE AUDIT COMMITTEE

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

EVENTS AFTER THE REPORTING PERIOD

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

By Order of the Board
Mr. Ji Guang
Chairman and Executive Director
Hong Kong, 28 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated (see Note 2(b)).

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated (see Note 2(b)).

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	8	**227,271**	156,410
Lease prepayments		**–**	15,373
Interests in joint ventures		**35,352**	37,817
Other financial assets		**13,700**	13,700
Deferred tax assets		**5,797**	5,754
		282,120	229,054
Current assets			
Inventories		**1,585**	3,927
Trade receivables	9	**57,118**	84,096
Prepayments, deposits and other receivables	10	**80,821**	165,264
Cash at bank and on hand	11	**279,752**	239,575
		419,276	492,862
Current liabilities			
Bank loans	12	**261,673**	275,233
Lease liabilities		**44,595**	–
Trade and bills payables	13	**5,576**	36,179
Accrued expenses and other payables	14	**27,863**	49,071
Income tax payable		**1,627**	3,029
		341,334	363,512
Net current assets		**77,942**	129,350
NET ASSETS		**360,062**	358,404
CAPITAL AND RESERVES			
Share capital		**1,892**	1,892
Reserves		**331,841**	318,588
Total equity attributable to equity shareholders of the Company		**333,733**	320,480
Non-controlling interests		**26,329**	37,924
TOTAL EQUITY		**360,062**	358,404

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated (see Note 2(b)).

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At I January 2018	–	–	38,562	38,243	–	256,245	333,050	24,000	357,050
Changes in equity for the six months ended 30 June 2018:									
Profit and total comprehensive income for the period	–	–	–	–	–	21,440	21,440	2,893	24,333
Effect on equity arising from decrease in equity interests in subsidiaries	–	–	1,468	–	–	–	1,468	7,632	9,100
Issuance of shares	–	52,000	(52,000)	–	–	–	–	–	–
Distributions	–	–	–	–	–	(175,000)	(175,000)	–	(175,000)
Balance at 30 June 2018 and 1 July 2018	–	52,000	(11,970)	38,243	–	102,685	180,958	34,525	215,483
Changes in equity for the six months ended 31 December 2018:									
Profit for the period	–	–	–	–	–	16,194	16,194	499	16,693
Other comprehensive income for the period	–	–	–	–	76	–	76	–	76
Total comprehensive income	–	–	–	–	76	16,194	16,270	499	16,769
Capitalisation issue	1,419	(1,419)	–	–	–	–	–	–	–
Capital injection by a non-controlling equity holder of a subsidiary of the Group	–	–	–	–	–	–	–	4,900	4,900
Distributions to non-controlling equity holders of a subsidiary	–	–	–	–	–	–	–	(2,000)	(2,000)
Issuance of shares by initial public offering	473	122,779	–	–	–	–	123,252	–	123,252
Appropriation to reserves	–	–	–	2,257	–	(2,257)	–	–	–
At 31 December 2018 (Note)	1,892	173,360	(11,970)	40,500	76	116,622	320,480	37,924	358,404
At 1 January 2019	**1,892**	**173,360**	**(11,970)**	**40,500**	**76**	**116,622**	**320,480**	**37,924**	**358,404**
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**13,209**	**13,209**	**(3,084)**	**10,125**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**22**	**–**	**22**	**–**	**22**
Total comprehensive income	**–**	**–**	**–**	**–**	**22**	**13,209**	**13,231**	**(3,084)**	**10,147**
Other changes	**–**	**–**	**–**	**–**	**–**	**22**	**22**	**(8,511)**	**(8,489)**
At 30 June 2019	**1,892**	**173,360**	**(11,970)**	**40,500**	**98**	**129,853**	**333,733**	**26,329**	**360,062**

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated (see Note 2(b)).

The notes on pages 24 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
			(Note)
Net cash generated from operating activities		**3,426**	26,010
Net cash used in investing activities		**(10,015)**	(24,908)
Net cash generated from financing activities		**71,984**	69,058
Net increase in cash and cash equivalents		**65,395**	70,160
Cash and cash equivalents at 1 January	11	**188,932**	142,626
Effect of foreign exchange rate changes		**22**	–
Cash and cash equivalents at 30 June	11	**254,349**	212,786

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated (see Note 2(b)).

The notes on pages 24 to 40 form part of this interim financial report.

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) Basis of preparation of the financial statements

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of the changes in accounting policies are set out in note 2(b).

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies

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

IFRS 16, Leases

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of liquefied petroleum gas, compressed natural gas and liquefied natural gas. 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.

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

(b) Segment reporting

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

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

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

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

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

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen,comparative information is not restated (see Note 2(b)).

4 OTHER INCOME

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

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

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

(b) Staff costs:

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

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

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

6 INCOME TAX

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

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

6 INCOME TAX *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before taxation	**17,235**	37,358
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**4,583**	9,956
Tax effect of share of (profits)/losses of joint ventures	**(514)**	356
Tax effect of non-deductible expenses	**778**	1,319
Tax effect of tax losses not recognised	**2,263**	1,394
Actual tax expense	**7,110**	13,025

Notes:

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

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(d) Diluted earnings per share

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

8 PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

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

(b) Right-of-use assets

As set out in Note 2(b), the Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balance as at 1 January 2019 to recognise lease-related right-of-use assets which were previously classified as operating leases under IAS 17. Further details of the net carrying amount of the Group's right-of-use assets by types of underlying assets are set out in Note 2(b).

9 TRADE RECEIVABLES

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

9 TRADE RECEIVABLES *(Continued)*

Ageing analysis

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

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

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Proceeds receivable from the Company's initial public offering (Note (i))	**–**	113,827
Value added tax recoverable	**11,603**	8,387
Advances to staff	**3,027**	2,827
Deposits for operating expenses	**2,036**	1,536
Others	**8,745**	6,523
Financial assets measured at amortised cost	**25,411**	133,100
Less: loss allowance	**(8,208)**	(8,208)
	17,203	124,892
Prepayments for purchase of inventories	**63,618**	40,372
	80,821	165,264

Notes:

(i) The amount represents the net proceeds from the Company's initial public offering collected by the bookrunners on behalf of the Company. These proceeds were received in January 2019.

11 CASH AT BANK AND ON HAND

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	254,349	188,932
Pledged and restricted bank deposits (Note (i))	25,403	50,643
Cash at bank and on hand in the consolidated statement of financial position	279,752	239,575
Less: pledged and restricted bank deposits	(25,403)	(50,643)
Cash and cash equivalents in the consolidated cash flow statement	254,349	188,932

Notes:

(i) Included in pledged and restricted bank deposits, RMB25,403,000 (as of 31 December 2018: RMB33,800,000) was pledged as securities for the Group's bank loans (see Note 12) at 30 June 2019. The remaining pledged and restricted bank deposits of RMBNil (as of 31 December 2018: RMB16,843,500) were pledged as securities for bank acceptance notes issued by the Group (see Note 13) and for bank guarantee letters issued to suppliers for construction of the Group's property, plant and equipment.

(ii) The Group's operations in the PRC (excluding Hong Kong) conducted their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

12 BANK LOANS

The Group's short-term bank loans are analysed as follows:

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

13 TRADE AND BILLS PAYABLES

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

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

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

14 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Accrued transportation expenses	**18,125**	18,125
Payables for expenditures in connection with the initial listing of the Company's shares	**–**	6,862
Payables for purchase and construction of property, plant and equipment	**910**	4,584
Payables for staff related costs	**1,303**	2,912
Other taxes payable	**1,425**	1,694
Others	**1,659**	6,209
Financial liabilities measured at amortised cost	**23,422**	40,386
Contract liabilities — receipts in advance from customers	**3,986**	8,100
Financial guarantee issued	**455**	585
Financial liabilities measured at amortised cost	**27,863**	49,071

At 30 June 2019, the amount of financial guarantee issued, which is expected to be recognised as other income after more than one year, was RMB195,000 (2018: RMB325,000). All of the other accrued expenses and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

15 DIVIDENDS

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

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

16 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2019 RMB'000	Fair value measurements at 30 June 2019 categorised into Level 3 RMB'000
Recurring fair value measurements		
Assets:		
Unlisted equity securities	13,700	13,700

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

At 30 June 2019, costs of the unlisted equity securities are used as approximations of their fair values, as the most recent available information is not sufficient to determine the fair value. There were no changes in the balance of the Level 3 fair value measurements for the six months ended 30 June 2019.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 30 June 2019 and 31 December 2018.

17 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the financial statements were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Commitments in respect of property, plant and equipment		
— Contracted for	**7,145**	17,550

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018 RMB'000
Within 1 year	12,249
After 1 year but within 5 years	26,847
After 5 years	28,901
	67,997

The Group is the lessee of certain land, buildings, equipment and vehicles for the conveyance of dangerous goods which were previously classified as operating lease under IAS 17. The Group has initially adopted IFRS 16 using modified retrospective approach. Under such method, the Group adjusted the opening balance at 1 January 2019 to recognise the lease liabilities related to the leases (see Note 2). Since 1 January 2019, in accordance with the policies set out in Note 2, future lease payments are recognized as lease liabilities in the statement of financial position.

18 CONTINGENT LIABILITIES

(a) A subsidiary of the Group is named defendant on an arbitration in respect of its non-payment for the construction of a gas refuelling station. At 30 June 2019, the arbitration is under review before arbitrators. If the subsidiary is found to be liable, the total expected monetary compensation may amount to approximately RMB6,750,000. Based on legal advices, the directors of the Company do not believe it is probable that the arbitrators will find against the subsidiary of the Group on the arbitration, and accordingly, no provision has been made at 30 June 2019.

(b) A subsidiary of the Group has issued a guarantee in respect of the banking facilities of Jiangmen Xin Jiang Gas, a joint venture of the Group, amounting to RMB30,000,000 and the facilities were utilised to the extent of RMB22,880,000 at 30 June 2019. The guarantee will expire on 31 December 2022 and the loans relating to drawn down facilities are repayable by 2 March 2021. The maximum liability of the Group under the guarantee issued is the outstanding amount of the bank loans of RMB22,880,000 at 30 June 2019. The directors of the Company do not consider it probable that a claim will be made against the Group under the guarantee, and accordingly, no provision has been made at 30 June 2019.

19 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the six months ended 30 June 2019 are set out below.

(a) Transactions with equity shareholders of the Company and companies controlled by equity shareholders of the Company

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of goods		
— joint ventures	**123,041**	103,039
Purchases of goods		
— joint ventures	**100**	1,410
Provision of transportation services		
— joint ventures	**175**	34
Net increase/(decrease) in amounts due from related parties		
— Mr. Ji	**–**	(74,418)
— a joint venture	**9,781**	(4,678)

20 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under such method, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(b).