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 REPORT 2018

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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

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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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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

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8th Floor, Prince's Building
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

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

http://www.sinogasholdings.com

STOCK CODE

1759

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sino Gas Holdings Group Limited (the "Company"), I am pleased to present our audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group", "our Group", "we" or "us") for the year ended 31 December 2018.

STEPPING FORWARD INTO A NEW ARENA AND MINDSET

2018 was a milestone for the development of the Group. On 28 December 2018, the shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This marked a momentous leap of the Group to a new stage of our corporate development. The successful listing of shares has reinforced the Group's financial position and promoted execution of the Group's business development strategy. More importantly, it enhanced the Group's image and its influence in the People's Republic of China (the "PRC") and overseas markets. Leveraging the advantage of the listing platform and the profound foundation laid in our existing businesses, we shall persistently enhance our upstream and downstream industry chain, explore new business opportunities and expand our business footprints. Adhering to our aim to uplifting our competitiveness of the Group, we are committed to further diversify our business development and continue to transform our business and to provide the best products and services to our customers.

In recent years, China's awareness of environmental protection has been increasing. The government has maintained a sustained high-pressure policy on environmental pollution. It has continuously promoted the adjustment of energy structure in industry, transportation and other areas to a cleaner direction, in order to achieve sustainable economic and social development and bring great potential for the development of liquefied petroleum gas ("LPG") and natural gas.

As for natural gas, under the vigorous promotion of China's various energy transformation and reform policy adjustment measures, such as coal to gas, natural gas import tax incentives, liquefied natural gas ("LNG") vehicle subsidies, etc., the demand for natural gas is increasing, and natural gas consumption continues to grow. In 2018, the national natural gas consumption reached a new high, and the import volume increased by nearly 30%. According to the "China Energy and Chemical Industry Development Report" (中國能源化工產業發展報告) (the "CID Report") issued by the Economic and Technological Research Institute of China Petrochemical Corporation (中國石化集團經濟技術研究院) on 20 December 2018, next year, the national natural gas will develop well in rational expectation and its supply and demand will remain balanced. In 2018, it reached about 305 billion cubic meters, a year-on-year increase of 10%. In terms of LPG, with the steady growth of downstream consumption sectors such as civil and industrial (including chemical raw materials), the acceleration of urbanization and the deepening of domestic deep processing, the demand for LPG increased in 2018. Meanwhile, in recent years, LPG, as the basic raw material and new fuel in the chemical industry, is also gaining more and more attention and can create higher added value. As one of the major market players in the gas supply, we will seize the golden opportunity to expand our footprint in the market.

In 2018, with our persistence in improving our industry chain, all our business segments had achieved steady growth. Our Group has stood out among the industry and has won unanimous praise from our companions. Our Group was once again awarded the "Deputy President Unit" of the Guangdong Oil and Gas Chamber of Commerce. In our natural gas business, the Group ranked first in the compressed natural gas ("CNG") refuelling market in Zhengzhou City, Henan Province; while in our LPG business, the Group ranked third in the LPG market in Guangdong Province.

CHAIRMAN'S STATEMENT

ATTAINING FOR EXCELLENCE

The listing of shares in 2018 has brought the Group to an eminent stage which enables the Group to put forward its business objectives with a better fund raising ability and reputation in the market. We shall continue to develop our integrated industry chain, with emphasis on the infrastructure development. We shall enlarge the upstream storage capacity, while improving the logistic ability and expanding our downstream ends and exploring for strategic locations in the market.

The listing of shares does not only bring us with benefits to excel in our business, it also endows us new role and responsibility in our society. Being a reputable listed company, we are committed to strengthen the internal control system. Being a renowned pioneer in the gas market in the PRC as a service provider with complete industry chain, we dedicate our effort in providing cleaner energy to our society which is also in line with the more stringent environmental policy and increasing social consciousness in environmental protection.

In view of the challenges and opportunities ahead, in the year to come, the Group shall continue to upgrade the terminal and additional storage capacity and strengthen the logistic team of LPG in order to satisfy the demand of our end-users and explore our business in residential markets. Meanwhile, the Group shall pursue vertical integration opportunities in developing new natural gas vehicular refuelling substations and mother stations which will further strengthen our market position by developing more on industrial point supply projects. Apart from the above hardware development, we believe that it is equally important to strengthen our sales and promotion strategies while improving our safety measures along our production lines so that we can enhance our overall competitiveness and quality of our services.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, and our Directors for their dedication and perseverance, especially during this time of opportunities and challenges. I would also like to express our sincere gratitude to our customers for their invaluable patronage and to the shareholders for their continued confidence in and support of the Group. I would also like to sincerely thank our business partners and banks for their continuous support throughout the year. In the year to come, we hope that we will continue working together to achieve new development for the Group, to fulfil dreams for our employees, and to generate a greater return for our shareholders.

Mr. Ji Guang
Chairman and Chief Executive Officer

Hong Kong, 31 March 2019

INDUSTRY REVIEW

Looking back in 2018, the economy had been uncertain with the China-US trade disputes and the volatile global stock market. Nevertheless, the economy of China remained strong. China's annual gross domestic product ("GDP") grew by 6.6% when compared to last year, meeting the development target of around 6.5%. The total GDP exceeds RMB90 trillion, making China the second largest economy after the United States. Amidst the moderately prosperous economy of China, the demand for energy has continued to increase. According to the CID Report, the national natural gas consumption reached 277 billion cubic meters, which was an increase of 40 billion cubic meters. This represents an increase of 17% which accounted for about 8% of primary energy consumption and was higher than its expected growth. In terms of LPG, domestic LPG production in 2018 was about 39 million tons, approximately 5.2% higher than that of 2017. As of October 2018, China's total LPG imports were 16.28 million tons, representing an increase of 5.92% over the same period in 2017. In October 2018, imports of LPG already exceeded 2 million tons.

Inspired by the thorough research and analysis on the natural gas market, conducted by the Group during the year 2018, the Group unceasingly adjusted our business strategies according to the market condition and the industry trends. Benefited from the supportive national policy, the market for natural gas is experiencing an evolving age. Grabbing hold of this golden opportunity, the natural gas business is one of the focal points of the development of the Group. Meanwhile, for the LPG business, the consumption of LPG for residential and industrial use is emerging in parallel with the gradual establishment and development of the Greater Bay Area of Guangdong, Hong Kong and Macao and its growing population in this area.

BUSINESS REVIEW

The Group is an integrated LPG and natural gas supplier in the PRC with a complete industry chain that engages in the sales of LPG and natural gas and the operation of vehicular refuelling stations (車用加氣站) and domestic stations (民用站) in Guangdong Province, Henan Province and Jiangxi Province with over 13 years of proven track records in the industry.

For the year ended 31 December 2018, the Group has recorded revenues of approximately RMB1,220 million, representing an increase of RMB124.7 million from RMB1,095.3 million in 2017. The increase was mainly attributable to the increase of revenue from the LPG, CNG and LNG businesses during the year.

On 28 December 2018, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of global offering of its 54,000,000 ordinary shares, comprising 5,400,000 public offer shares and 48,600,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$2.80 per share (the "Listing"). The net proceeds from the Listing, after deducting the underwriting commission and related listing expenses payable by the Company, are estimated to be 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. Since the shares of the Company were listed on 28 December 2018, no material progress has been made in respect of the business objectives as set out in the prospectus dated 14 December 2018 (the "Prospectus"), for the period from the latest practicable date as defined in the Prospectus, and up to 31 December 2018.

(1) LPG Business

LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances. As at 31 December 2018, the Group had 6 LPG vehicular refuelling stations, 2 LPG domestic stations in Guangdong Province and 1 LPG domestic station in Ganzhou City, Jiangxi Province. There was also an LPG terminal with storage facilities located in Guangdong Province.

The Group possesses a comprehensive business model in our LPG business. Our upstream procurement of LPG consists of large scale LPG domestic gas suppliers with their own terminal and storage which mainly import LPG from overseas, and domestic petrochemical refineries. Our intermediary logistics of LPG include two modes of transporting LPG, one being using our own logistics fleet to transport LPG by using vehicles, and one being using gas carrier ships designated for LPG use. By adopting the two modes of transport, it enables the Company to select from a bigger range of upstream suppliers in different regions and enhance our bargaining power as we are not constrained by distance when choosing our suppliers. With these logistic arrangements, the Group is able to provide LPG to our customers including LPG vehicular refuelling stations and LPG domestic stations, and our customers consist of retail and wholesale customers.

The Group had LPG terminals through Jiangmen Xinjiang Gas Company Limited (江門市新江煤氣有限公司) ("Jiangmen Xinjiang Gas"), a jointly controlled entity, together with the experience and customers' recognition as well as the reputation that our Group built up. During the year ended 31 December 2018, the wholesale business of LPG was gradually improving and achieved outstanding results.

(2) CNG Business

According to the report issued by Frost & Sullivan (Beijing) Inc, Shanghai Branch Co., CNG is the most widely used natural gas fuel of vehicles in China due to its lower cost to produce. As CNG is still in gas form, it occupies greater volume (vis-a-vis LNG), and owing to its lower reduction in volume, usage of CNG is more often found in short distance vehicles, such as local buses, taxis and private vehicles. As at 31 December 2018, we had 12 CNG vehicular refuelling stations and 2 CNG mother stations in Henan Province.

The CNG business model is well supported by our upstream suppliers primarily consist of PetroChina Company Limited ("PetroChina") by utilising the West to East Gas Transmission Tunnel (西氣東輸管道) to 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.

During the year ended 31 December 2018, benefited from the supportive national policy of the 13th Five-Year plan for natural gas development (天然氣發展「十三五」規劃), as well as the increasing demand and social consciousness for clean energy, the CNG business maintained a steady growth.

(3) LNG Business

The LNG refuelling market in China is still in the emerging stage due to its relatively high cost to process, liquefy and store compared with CNG. Nevertheless, as LNG will be processed into liquid hence occupying smaller volume than CNG, transportation of LNG in bulk is significantly easier than that of CNG. LNG could be converted back to its gas state when vapourised to become CNG. LNG fuel is mainly developed and promoted in Southern China and coastal areas. As at 31 December 2018, we had 1 LNG vehicular refuelling station in Guangdong Province.

For our LNG business model, the Group possesses a strong upstream procurement supplier of 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 station and to our wholesale customers. Meanwhile, the downstream portfolio consists of an LNG vehicular refuelling station, and our customers consist of retail and wholesale customers.

During the year ended 31 December 2018, being backed up with the PRC government policies including Changing Fuels from Coal to Gas Policy (煤改氣政策) and the Notice on Opinion of Accelerating and Advancing the Utilization of Natural Gas (加快推進天然氣利用的意見), the market for LNG vehicles specifically LNG trucks has been explosively expanding which created rocketing demand for LNG especially in industrial, power generation sectors. This contributed to the outstanding sales results of LNG business and cemented a solid foundation for the accelerating growth of the LNG business.

As at 31 December 2018, the number of our stations in operation are set out below:

	As at 31 December 2018	As at 31 December 2017
LPG station	**9**	9
CNG station	**12**	12
LNG station	**1**	1
Subtotal	**22**	22
CNG mother station	**2**	2
Total	**24**	24

Meanwhile, as at 31 December 2018, the breakdown of the stations in operation by cities and provinces are set out below:

City, Province	LPG	LNG	CNG	Total number of stations
Guangzhou, Guangdong Province	6	1	0	7
Jiangmen, Guangdong Province	2(1)	0	0	2
Total number of stations in Guangdong Provinces	**8**	**1**	**0**	**9**
Ganzhou, Jiangxi Province	1	0	0	1
Total number of stations in Jiangxi Province	**1**	**0**	**0**	**1**
Xinyang, Henan Province	0	0	1(2)	1(2)
Zhengzhou, Henan Province	0	0	8	8
Zhumadian, Henan Province	0	0	3(3)	3(3)
Xinzheng, Henan Province(4)	0	0	2(5)	2(5)
Total number of stations in Henan Province	**0**	**0**	**14**	**14**
Total	**9**	**1**	**14**	**24**

Notes:

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

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

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

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

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

As at 31 December 2018 and as at the date of this report, we operated a total of 24 stations. Amongst the vehicular refuelling stations and domestic stations, 17 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 revenue by our product mix for the years ended 31 December 2018 and 2017 are summarized as below:

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Sales Volume *(Note)*	Revenue (RMB'000)	Percentage of revenue (%)	Sales Volume *(Note)*	Revenue (RMB'000)	Percentage of revenue (%)
Retail						
LPG	45,175	276,880	22.7%	55,421	330,898	30.2%
CNG	62.5	202,489	16.7%	62.7	192,318	17.6%
LNG	656	3,286	0.3%	543	2,429	0.2%
Sub-total		482,655	39.7%		525,645	48.0%
Wholesale						
LPG	178,301	699,515	57.3%	157,762	565,037	51.6%
CNG	3.9	10,295	0.8%	0.6	1,662	0.2%
LNG	5,327	22,405	1.8%	61	273	0.0%
Sub-total		732,215	59.9%		566,972	51.8%
Logistic service		5,141	0.4%		2,722	0.2%
Total		1,220,011	100%		1,095,339	100%

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

With the Company being successfully listed in 2018, not only did it enable the Group to step into an arena to be a well-known and reputable brand in the PRC, Hong Kong and even the international markets, it also equipped the Group with resources and capital to put forward our corporate expansion plan and maintain our sustainable developments for the long run.

Going forward, the Group insists on strengthening the industrial chain that emphasizes to refine our major businesses in LPG, LNG and CNG to provide high quality services and products to our customers, with the focal point in the developments of the terminals as we believe that the end-user market has high potential and possibly brings the Group with relatively higher profits.

With our objective to have a complete industry chain development, in the year to come, we shall persistently enhance our infrastructure in upstream procurement, logistic and downstream distribution arrangements. In our LPG retail business, we plan to acquire operational rights of a LPG domestic station to further exploring our footprints in the LPG retail business. Meanwhile, with the vision to expand our scale of sales, the Group shall upgrade the terminal and additional storage capacity of LPG in order to satisfy the demand of our end-users. As for CNG upstream development, with the same objective to meet the mounting demand of CNG, the Group shall pursue vertical integration opportunities in developing new CNG and liquefied-to-compressed natural gas ("L-CNG") vehicular refuelling stations and CNG mother station to strengthen our market position and enhance our competitiveness.

For the logistic arrangements, the Group will ensure stable supply transportation system by further enhancing our logistics services capacity and expanding our vehicles fleet.

For the downstream arrangements, we shall complete our construction of new stations and purchase the requisite equipment and machineries for new stations as well as to maintain our existing stations so that we can strengthen our sales and explore new markets and networks in the residential as well as the industrial markets.

Supported by the favorable government policies, with the Company being successfully listed in 2018, and leveraging on our established presence in Guangdong Province, Henan Province and Jiangxi Province with a complete industry chain which includes the integrated supply logistic chain of the Group, stable relationship with our suppliers and major customers, our experienced and stable professional management team, and the hard work that the Group had laid throughout the years, we believe that it is time for the Group to penetrate more into the existing markets of the Group and explore for new business opportunities to create benefits for the Company and our shareholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group has recorded revenues of approximately RMB1,220.0 million, representing an increase of RMB124.7 million from RMB1,095.3 million in 2017. The increase was mainly attributable to the increase of revenue from the LPG, CNG and LNG businesses during the year.

Revenue from contracts with customers within the scope of IFRS 15	**2018 RMB'000**	2017 RMB'000
LPG	**976,395**	895,935
CNG	**212,784**	193,980
LNG and others	**30,832**	5,424
	1,220,011	1,095,339

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 RMB159.2 million from approximately RMB879.7 million in 2017 to approximately RMB1,038.9 million in 2018, which was mainly due to the rise in international oil prices and the increase in sales of LPG and natural gas.

For the year ended 31 December 2018, the gross profit of the Group was approximately RMB181.2 million, representing a decrease of approximately RMB34.5 million compared to approximately RMB215.7 million in 2017. The decrease in gross margin was due to the increase in procurement costs caused by the rise in international oil prices, and the failure of our sales price to rise in line with the international oil prices which led to a reduction in our price spreads.

Other Income

For the year ended 31 December 2018, the Group's other income was approximately RMB7.6 million, representing a decrease of approximately RMB1.5 million from the Group's other income of approximately RMB9.1 million in 2017. This was mainly due to changes in the subsidy policy of Zhuhai Free Trade Zone, and the government subsidies received by the Group decreased.

Staff Costs

For the year ended 31 December 2018, the Group's staff costs were approximately RMB43.5 million, representing a decrease of approximately RMB5.1 million from the Group's staff costs of approximately RMB48.6 million in 2017. This was mainly due to the decrease in the number of employees of the Group and the decrease in employee bonuses compared to 2017.

Operating Lease Charges

For the year ended 31 December 2018, the operating lease cost of the Group was approximately RMB17.1 million, representing an increase of approximately RMB2 million from the Group's approximately RMB15.1 million in 2017. This was mainly due to the increase of the leased land's unit lease charge of the stations operated by the Group in 2018.

Other Operating Expenses

For the year ended 31 December 2018, the Group's other operating expenses were approximately RMB44.4 million, representing an increase of approximately RMB16.5 million from the Group's other operating expenses of approximately RMB27.9 million in 2017. This increase was mainly due to the fact that the Company's listing expenses in 2018 were approximately RMB16.6 million.

Finance Costs

For the year ended 31 December 2018, the Group's finance costs were approximately RMB8.9 million, representing an increase of approximately RMB3.4 million compared to the Group's approximately RMB5.5 million in 2017. This increase was mainly due to the Group's increase in the amount of bank borrowings in 2018, and the tightening of credit policy in 2018 which led to an increase in the banks' interest rates.

Profit Before Taxation

The Group's profit before taxation was approximately RMB61.5 million, representing a decrease of approximately RMB52.1 million from the profit before taxation of approximately RMB113.6 million in 2017.

Income Tax

For the year ended 31 December 2018, the Group's income tax expense was approximately RMB20.5 million, representing a decrease of RMB8.9 million compared to the income tax of approximately RMB29.4 million in 2017.

Profit for the Year

For the year ended 31 December 2018, the Group achieved a net profit of approximately RMB41.0 million, representing a decrease of approximately RMB43.2 million from the Group's net profit of approximately RMB84.2 million in 2017.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2018, the financial position of the Group remained stable. The total value of assets was approximately RMB721.9 million, an increase of RMB131.3 million compared to the total value of assets of approximately RMB590.6 million in 2017. The Group's cash was mainly held for working capital and investment site construction needs.

As at 31 December 2018, the Group had approximately RMB239.6 million in cash and bank balances.

On 28 December 2018, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of global offering of its 54,000,000 ordinary shares, comprising 5,400,000 public offer shares and 48,600,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$2.80 per share. The net proceeds from the Listing, after deducting the underwriting commission and related listing expenses payable by the Company, are estimated to be 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, land use right amounted to approximately RMB46.2 million for the year ended 31 December 2018.

Borrowings

The Group's short-term borrowings as at 31 December 2018 and 2017 are summarised below:

	2018 **RMB'000**	2017 RMB'000
Unsecured and unguaranteed	**146,000**	138,000
Secured by bank deposits of the Group	**129,233**	–
	275,233	138,000

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was 50.4% as at 31 December 2018 (31 December 2017: 39.5%). The increase in gearing ratio was mainly attributable to the increase in bank borrowings of the Group.

Final Dividend

During the first half of 2018, Sino Gas (Zhuhai) Limited (中油潔能(珠海)石化有限公司) ("ZH Petrochemical"), a subsidiary of the Group declared RMB175.0 million as distributions to China Full Limited (創意豐有限公司) ("China Full"), the then equity holder of ZH Petrochemical, part of which were settled by netting off against the amount due from shareholders, and the remaining portion of approximately RMB99.4 million was settled by cash prior to the Listing.

Save as disclosed above, the Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2018.

Employees and Remuneration Policies

As at 31 December 2018, the Group had a total of 679 employees (including joint ventures Henan Blue Sky and Jiangmen Xinjiang Gas). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

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 offer. The Group intends to apply the proceeds from the Listing in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds"in the Prospectus.

As set out in the Prospectus, the Group intends to further penetrate the LPG wholesale market in Guangdong Province in order to achieve the following business objectives: (1) benefit from the growth of LPG sales of our wholesale customers in view of the sustainable growth of industrial and residential LPG market; (2) build up our relationship and network with various domestic stations operators in Guangdong Province for our potential vertical expansion, reach more end customers and further pave a solid foundation for the Group to further expand into LPG domestic stations market; and (3) further strengthen our bargaining power with our suppliers as a result of our further increased purchase volume such that the Group could continue to secure long-term cooperation with our suppliers at competitive terms going forward.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK$120.3 million. Up to 31 December 2018, 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 31 December 2018	Unutilized net proceeds up to 31 December 2018
acquire operational rights of a LPG domestic station	HK$20.5 million	0	HK$20.5 million
strengthen our LPG logistics and storage capacity by constructing storage facilities	HK$21.7 million	0	HK$21.7 million
complete construction, purchase land, equipment and machineries and their installation for the new CNG mother station	HK$27.7 million	0	HK$27.7 million
construction of new stations, purchase and installation of their requisite equipment and machineries and maintenance of our existing stations	HK$24.1 million	0	HK$24.1 million
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

FOREIGN EXCHANGE EXPOSURE

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

As at 31 December 2018, the proceeds received from the Listing were denominated in HKD. Therefore, the foreign exchange risk assumed by us primarily arises from movements in the HKD and RMB exchange rates. During the year of 2018, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. However, future exchange rates of RMB could vary significantly from the current and historical exchange rates as a result of changes in China's political and economic conditions. The management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2018. 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 2018, the Group held available-for-sale financial assets amounting 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 the Prospectus, there were no material acquisitions and disposals of subsidiaries or joint ventures during the year ended 31 December 2018.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group had operating lease commitments of approximately RMB68 million and capital commitments of approximately RMB17.6 million respectively. The Group had no other significant commitments and contingent liabilities as at 31 December 2018.

PLEDGE OF ASSETS

As at 31 December 2018, 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.

PRINCIPAL RISKS AND RISK CONTROL MECHANISM

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

Principal Risks

For the year ended 31 December 2018, 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;

- 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 sole 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, and may reduce the demand for our gas refuelling business.

The management team of the Company is committed to ensure 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 annually, and periodic management meeting is held to update the progress of risk monitoring efforts by the Audit Committee and the Board.

BOARD OF DIRECTORS

Executive Directors

Mr. Ji Guang (姬光先生) ("Mr. Ji"), aged 56, is the Chairman of the Board, an executive Director and the Chief Executive Officer of the Group. Mr. Ji was appointed as a Director on 26 March 2018 and re-designated as an executive Director on 11 June 2018. Mr. Ji is the father of Ms. Ji Ling, an executive Director and the Vice-Chairman of the Board.

As one of the founders of the Group, Mr. Ji has about 13 years of experience in the Gas Retail Business and Gas Wholesale Business. Mr. Ji co-founded the Group with AVIC Group (i.e. AVIC Joy Holdings (HK) Limited (幸福控股(香港)有限公司) (stock code: 260) and its subsidiaries) by setting up ZH Petrochemical. He served as the chairman of ZH Petrochemical from January 2009 to December 2014 and was redesignated to be a director of ZH Petrochemical from December 2014 to August 2017, and eventually he was again redesignated as the chairman in August 2017. Mr. Ji is also serving as a director in certain subsidiaries of the Company, and is responsible for overseeing the overall management and development of our gas retail business and gas wholesale business.

Mr. Ji graduated from Sichuan Radio and TV University (四川廣播電視大學), the PRC in August 1983 and specialised his studies in Mechanics (機械類專修科). Mr. Ji subsequently obtained an Executive Master of Business Administration (EMBA) degree (高級管理人員工商管理碩士專業學位) from Tsinghua University (清華大學), the PRC in June 2011. He is now pursuing a doctorate degree in Management Science and Engineering (管理科學與工程) at the College of Management of Tianjin University (天津大學管理學院), the PRC.

Prior to co-founding the Group, Mr. Ji held various managerial positions in China Aero-Technology Import and Export Company Zhuhai Industrial Centre (中國航空技術進出口公司珠海工貿中心) from April 1985 to August 1993. Mr. Ji was the chairman of Sino Aero Limited (國航企業有限公司), an aviation corporation, for the period from September 1993 to October 2004. He has also served as a director of Zhuhai Sino Aero Limited (珠海國航企業有限公司).

Ms. Ji Ling (姬玲女士) ("Ms. Ji"), aged 29, is the Vice-Chairman of the Board, an executive Director and the financial controller of the Group. She joined the Group in April 2016 as the investment director of Guangdong Sino Gas Investment Company Limited (廣東中油潔能投資有限公司). She is primarily responsible for financial planning and strategic management of the Group and overseeing the internal control and risk management policies of the Group. Ms. Ji was appointed as a Director on 11 June 2018 and redesignated and/or appointed as an executive Director and the Vice-Chairman of the Board on 11 June 2018 and 22 November 2018 respectively. Ms. Ji is a daughter of Mr. Ji, the Chairman of our Board, the Chief Executive Officer of the Group and an executive Director.

Ms. Ji completed the programme of Associate of Business Administration at the School of Professional and Continuing Education Community College of The University of Hong Kong (HKUSPACE) in June 2009. She then obtained a degree of Bachelor of Science in Accounting and Finance from the University of East Anglia, the United Kingdom in July 2012 and a degree of Master of Science in Management of Information Technology from the University of Nottingham, the United Kingdom in December 2013. She is now pursuing an Executive Master of Business Administration (EMBA) degree at the PBC School of Finance, Tsinghua University (清華大學五道口金融學院), the PRC.

Before she joined the Group, Ms. Ji served as an auditor (審計員) of the audit and assurance department at Deloitte Touche Tohmatsu from October 2014 to February 2016.

Ms. Cui Meijian (崔美堅女士), aged 34, is an executive Director. Ms. Cui was appointed as a Director on 11 June 2018 and was redesignated as an executive Director on the same date.

Ms. Cui joined the Group in December 2006 as the vice-manager of the human resources department of Guangzhou Sino Gas Fuel Chain Company Limited (廣州中油潔能燃氣連鎖有限公司) ("GZ Sino Gas"). In September 2008, Ms. Cui was appointed as the vice-manager of finance department and human resources department of GZ Sino Gas and was appointed as the deputy general manager of Guangdong Sino Gas Petrochemical Company Limited (廣東中油潔能石化有限公司) ("GD Petrochemical") in July 2014. She has since held various senior management positions in the Group. Ms. Cui has about 11 years of experience in Gas Retail Business and Gas Wholesale Business. She is now serving as a director of certain subsidiaries of the Company, and is responsible for overseeing the management and operation of our Gas Refuelling Business and Gas Wholesale Business of the Company.

Ms. Cui obtained a Bachelor degree of law in Ideological Political Education (思想政治教育) from Zhaoqing University (肇慶學院), the PRC in July 2006. She then completed a postgraduate programme in Economic Law (經濟法學) at Sun Yat-Sen University (中山大學), the PRC in October 2010 and an Executive Master of Business Administration (EMBA) degree at South China University of Technology (華南理工大學), the PRC in December 2017.

Ms. Cui was appointed Vice President (副會長) of the sixth Council of the Guangdong Oil and Gas Association (廣東油氣商會) in December 2018.

Mr. Zhou Feng (周楓先生), aged 34, is an executive Director. Mr. Zhou was appointed as a Director on 11 June 2018 and redesignated as an executive Director on the same date.

Mr. Zhou joined the Group as a project manager of GZ Sino Gas in May 2010 and was later promoted to its sales director in June 2012. He has since held various senior management positions in the Group. Mr. Zhou has about 8 years of experience in Gas Retail Business and Gas Wholesale Business. He is now serving as a director of certain subsidiaries of the Company and is responsible for overseeing the management and operation of the businesses of the Group.

Mr. Zhou obtained a Bachelor degree in Thermal Energy and Power Engineering (熱能與動力工程) from Southeast University (東南大學), the PRC in June 2005. He subsequently obtained a Master degree in Engineering Thermophysics (工程熱物理) from Nanchang University (南昌大學), the PRC in June 2008.

Mr. Zhou obtained a qualification certificate as a middle-level works safety director (中級安全主任) from the Administration of Work Safety of Guangdong Province (廣東省安全生產監督管理局) in November 2010. He also obtained a qualification certificate as an engineer in energy power (能源動力) with intermediate specialised technical skill (中級專業技術) from the Talent Flowing Centre of Jiangxi Province (江西省人才流動中心) in November 2011.

Independent Non-executive Directors

Mr. Sheng Yuhong (盛宇宏先生), aged 51, was appointed as our independent non-executive Director on 22 November 2018. He is also the chairman of the Nomination Committee, a member of Audit Committee and Remuneration Committee of the Company.

Mr. Sheng obtained a Bachelor degree in Architecture from South China University of Technology, the PRC in July 1989. He subsequently obtained an Executive Master of Business Administration (EMBA) degree at Tsinghua University, the PRC in January 2008.

Since August 1985, Mr. Sheng has been serving as the chairman of the president office (總裁辦) of Guangzhou Hansen Architecture and Design Company Limited (廣州漢森建築設計有限公司) and since May 1993, he has been a managing partner of Guangzhou Bosheng Architecture and Design Consultancy Firm (廣州伯盛建築設計事務所).

Mr. Sheng obtained a qualification certificate as a Grade-1 certified architect (一級註冊建築師) of the PRC from the National Administrative Committee of Certified Architects (全國註冊建築師管理委員會) in August 2003. He also obtained a qualification certificate as a senior interior architect (高級室內建築師) from the China Building Decoration Association (中國建築裝飾協會) in May 2005.

In 2015, Mr. Sheng was appointed as the vice director general (副會長) of Yancheng Design Alliance (羊城設計聯盟), a private non-profit organization with members of design organizations in southern China which specialized in architectural and planning design interior design, landscape design and other design, and he was subsequently appointed as the president (會長單位) of Yancheng Design Alliance. In December 2014, Mr. Sheng was appointed as the deputy secretary-general of the Environmental Arts Committee of Guangdong Architecture and Civil Engineering Association (廣東省土木建築學會環境藝術專業委員會). He has also been appointed as a visiting professor at the School of Architecture and Urban Planning of Guangdong University of Technology (廣東工業大學建築與城市規劃學院) from September 2009 to September 2012.

Mr. Wang Zhonghua (王忠華先生), aged 56, was appointed as our independent non-executive Director on 22 November 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Wang obtained a Bachelor degree in Civil Engineering Specialising in Railway Engineering (土木工程系鐵路工程專業) from Lanzhou Tiedao College (蘭州鐵道學院) (now renamed as Lanzhou Jiaotong University (蘭州交通大學)), the PRC in July 1986. Mr. Wang was registered as a certified cost engineer with Guangdong Construction Practice Qualification Registration Centre (廣東省建設執業資格註冊中心) since October 2009. He was also admitted as a professional member of the Royal Institution of Chartered Surveyors in December 2008.

From 1990 to July 1992, Mr. Wang was employed to be responsible for cost engineering at Ministry of Construction of the Ministry of Railways of the PRC (中華人民共和國鐵道部建設司). Since January 1992, he worked as an engineer at The Third Railway Survey and Design Institute of the Ministry of Railways of the PRC (鐵道部第三勘察設計院). He has also been transferred to Shenzhen City Metro Company Limited (深圳市地鐵有限公司) since October 1993.

Dr. Zheng Jian Peng (鄭健鵬博士), aged 36, was appointed as our independent non-executive Director on 22 November 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Dr. Zheng obtained a Bachelor degree in Business Administration in Accounting from the Open University of Hong Kong in December 2006 and a Master of Laws in International Economic Law degree from the Chinese University of Hong Kong in November 2012. Dr. Zheng subsequently obtained a degree of Doctor of Business Administration from the Apollos University, the USA in September 2016. He is now pursuing a doctorate degree in Business Administration at the Hong Kong Polytechnic University. Dr. Zheng was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 2010 and was admitted as a member of the Institute of Chartered Accountants in England and Wales in January 2013.

Dr. Zheng has been serving as an executive director of China Oil Gangran Energy Group Holdings Limited (stock code: 8132), since December 2015 and as its company secretary since October 2016. For the period from January 2014 to April 2014, Dr. Zheng was a non-executive director of Sing Pao Media Enterprises Limited ("Sing Pao Media"). In April 2014, Dr. Zheng was re-designated as an executive director to Sing Pao Media until his resignation in October 2014.

Dr. Zheng was a financial controller of China Fortune Investments (Holding) Limited (formerly known as China Public Healthcare (Holding) Limited) (stock code: 8116) from March 2010 to March 2012 and he was an executive director of Global Strategic Group Limited (stock code: 8007) for the period from October 2014 to June 2016. Dr. Zheng was also an independent non-executive Director of Success Dragon International Holdings Limited (stock code: 1182) from August 2016 to September 2017.

SENIOR MANAGEMENT

Ms. Li Yuping (李玉萍女士), aged 44, is the general manager in respect of the Group's business in Guangdong Province and is an executive vice president of the Group.

Ms. Li joined the Group in September 2008 as the deputy general manager in the finance department of GZ Sino Gas and has since held various senior management positions in the Group. She is now a director of certain subsidiaries of the Company and is responsible for supervising and managing the operation of the refuelling stations in Guangdong Province.

Ms. Li obtained a Bachelor degree in Accountancy from Jiaozuo Institute of Technology (焦作工學院), the PRC in July 1998. She subsequently obtained an Executive Master of Business Administration (EMBA) degree at Jinan University (暨南大學), the PRC in June 2015. Ms. Li also obtained a qualification certificate as an intermediate speciality in accountancy from the relevant authority of professional and technical qualification (專業技術資格) in Henan Province in February 2012.

Mr. Li Pei (李霈先生), aged 48, is the general manager in respect of the Group's business in Henan Province and is an executive vice president of the Group.

Mr. Li joined the Group in August 2006 as deputy general manager of GZ Sino Gas and has since held various senior management positions in the Group. He is now a director of certain subsidiaries of the Company and is responsible for supervising and managing the operation of the refuelling stations in Henan Province.

Mr. Li obtained a Bachelor degree in Investment and Economics from Zhongnan University of Economics (中南財經大學), the PRC in July 1993. He is now pursuing an Executive Master of Business Administration (EMBA) degree at the School of Management of Xiamen University (廈門大學經濟管理學院), the PRC. Mr. Li obtained a qualification certificate as an intermediate speciality in financial economics from the Ministry of Personnel, the PRC in November 1998.

Mr. Li Zhen (李振先生), aged 34, is the deputy general manager in respect of the Group's business in Henan Province who joined the Group in March 2007.

From March 2007 to March 2010, Mr. Li worked as the department manager of Zhuhai Sino Gas Dangerous Goods Transportation Company Limited (珠海中油潔能危險品運輸有限公司) and also served as the operating director of Zhengzhou Sino Gas Bus Fuel Company Limited (鄭州中油潔能巴士燃氣有限公司) ("Zhengzhou Sino Gas") from August 2011 to April 2013. Since April 2013 and September 2013, Mr. Li served as the general manager of Xinzheng Yonghui Natural Gas Company Limited (新鄭永輝天然氣有限公司) ("Xinzheng Sino Gas") and Henan Sino Gas Yonghui Natural Gas Company Limited (河南中油潔能永輝天然氣有限公司) ("Henan Yonghui"), respectively. He has been serving as the deputy general manager of Zhengzhou Transport Investment Sino Gas Fuel Company Limited (鄭州交投中油潔能燃氣有限公司) since October 2015. Mr. Li is now a director of certain subsidiaries of the Company and is responsible for supervising and managing the operation of the refuelling stations in Henan Province. Since July 2017, Mr. Li has been appointed as the secretary-general of the Zhengzhou Public Utilities Association (鄭州公用業協會).

Mr. Li obtained a Bachelor degree in Laws from Beijing Normal University, Zhuhai Campus (北京師範大學, 海校區), the PRC in July 2007. He subsequently obtained an Executive Master of Business Administration (EMBA) degree at Zhengzhou University (鄭州大學), the PRC in July 2016.

Mr. Zhou Weidong (周偉東先生), aged 33, is the financial controller in respect of the Group's business in Guangdong Province. He is primarily responsible for overseeing the finance and accounting matters in respect of business of the Group in Guangdong Province.

Mr. Zhou joined the Group in September 2012 as the finance deputy manager of GZ Sino Gas and was promoted as finance manager and then finance director of GZ Sino Gas in January 2014 and January 2017 respectively and he is responsible for the overall financial management and accounting matters of GZ Sino Gas.

Mr. Zhou obtained a Bachelor degree in Accountancy from Guangdong University of Finance (廣東金融學院), the PRC in July 2010. Mr. Zhou also passed the intermediate level PRC National Accountancy Qualification Examination (全國會計專業技術中級資格考試) in 2017.

COMPANY SECRETARY

Ms. Cheng Mei Chun (鄭美珍女士), aged 54, was appointed as the company secretary of the Company on 11 June 2018.

Ms. Cheng is a director of corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Cheng has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Cheng is a Chartered Secretary and has been admitted as an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since August 1994 and August 1992, respectively, and was awarded the Chartered Governance Professional qualification in September 2018.

The Board of the Company is pleased to present this report together with the consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and its subsidiaries are mainly engaged in the provision of integrated LPG and natural gas services. The Company, together with its subsidiaries, operates LPG, CNG and LNG vehicle refuelling stations, LPG civil stations, CNG mother stations and LPG and CNG wholesale businesses. The Company primarily operates its business in the Chinese market.

An analysis of the principal activities of the Group during the year ended 31 December 2018 is set out in the section headed "Management Discussion and Analysis" in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's businesses and other relevant information, can be found in the section headed "Management Discussion and Analysis" as set out on pages 5 to 17 and the section headed "Chairman's Statement" as set out on pages 3 to 4 of this annual report. Such discussion forms part of this "Report of the Directors".

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed in the "Environmental, Social and Governance Report" on pages 47 to 66 of this annual report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements is set out on page 146 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

The shares of the Company were listed on the Stock Exchange by way of global offering of 54,000,000 ordinary shares on 28 December 2018 (the "Listing Date"). Details of movements in the share capital of the Company for the year ended 31 December 2018 and details of the shares issued during the year ended 31 December 2018 are set out in Note 25 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 13 to the consolidated financial statements.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group. The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

Further details are set out in the "Management Discussion and Analysis" section and in the "Environmental, Social and Governance Report" on pages 5 to 17 and pages 47 to 66 of this annual report respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 31 December 2018 shall be disclosed in the "Environmental, Social and Governance Report" on pages 47 to 66 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2018, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2018 are set out in Note 11 to the consolidated financial statements. There were no investment properties of the Group during the year ended 31 December 2018.

DEBENTURE ISSUED

The Group did not issue any debenture since the Listing Date and up to the date of this annual report.

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 period from the Listing Date to 31 December 2018.

EQUITY-LINKED AGREEMENTS

Save for disclosed in "Share Option Scheme" as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

DIVIDENDS

During the first half of 2018, ZH Petrochemical, a subsidiary of the Group declared RMB175.0 million as distributions to China Full, the then equity holder of ZH Petrochemical, part of which were settled by netting off against the amount due from shareholders, and the remaining portion of approximately RMB99.4 million will be settled by cash prior to the Listing.

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the year ended 31 December 2018 are set out in Note 25 to the consolidated financial statements. As the Company was incorporated on 26 March 2018, the distributable reserve of the Company as at 31 December 2018 was nil.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2018 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 21 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers (including joint venture "Jiangmen Xinjiang Gas") accounted for 47.1% of the total sales for the year and sales to Jiangmen Xinjiang Gas, the largest customer included therein, amounted to 18.9%. Purchases from the Group's five largest suppliers accounted for 80.0% of the total purchases for the year and purchase from the largest supplier included therein amounted to 50.4%. Save as disclosed above, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 679 employees (including staff of joint ventures "Henan Blue Sky" and "Jiangmen Xinjiang Gas"). The number of employees employed by the Group varies from time to time depending on needs. Employees' remuneration is determined based on their responsibilities, qualifications, performance, experience and seniority. The remuneration policy and package of the Group's employees are periodically reviewed.

Compensation of key executives of the Group is reviewed by the Company's Remuneration Committee which is based on the Group's performance and the executives' respective contributions to the Group.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

The total remuneration cost incurred by the Group for the year ended 31 December 2018 was 43.5 million .

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2018.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2018 are disclosed in Note 29 to the consolidated financial statements. Our Directors confirm that all related party transactions during the year ended 31 December 2018 were conducted on normal commercial terms that were reasonable and in the interest of the Group as a whole. The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions. Save as disclosed in below sections of this report, there were no other connected transactions or non-exempted continuing connected transactions under the Listing Rules as at the date of this report.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions which are subject to annual review and reporting requirements under Chapter 14A of the Listing Rules.

1. Supply of CNG by the Group

Zhengzhou Sino Gas and Zhengzhou City Public Transportation Head Company ("Zhengzhou Public Transportation") entered into a CNG supply agreement ("CNG Supply Agreement") on 21 November 2018, pursuant to which Zhengzhou Sino Gas (for itself and on behalf of other members of the Group) agreed to supply CNG to Zhengzhou Public Transportation, in consideration for the payment of gas charges to the Group.

Zhengzhou Sino Gas, one of our subsidiaries, was owned as to 38% by Zhengzhou Public Transportation. As such, Zhengzhou Public Transportation is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

CNG Supply Agreement is not more than three years from the Listing Date to 31 December 2020.

For details on the total consideration and terms of the above the continuing connected transactions, please refer to "Continuing Connected Transactions Which Are Exempt From Circular And The Independent Shareholders' Approval Requirements" in the section headed "Connected Transactions" to the Prospectus.

2. Wholesale of LPG by the Group

GD Petrochemical and Guangzhou City Jiahexing Development Company Limited ("GZ Jiahexing Development") entered into a LPG supply agreement ("LPG Supply Agreement") on 21 November 2018, pursuant to which GD Petrochemical (for itself and on behalf of other members of the Group) agreed to supply LPG to GZ Jiahexing Development, in consideration for the payment of gas charges to the Group.

Guangzhou Sino Gas Jiahexing Petrochemical Company Limited ("GZ Jiahexing"), one of our subsidiaries, was owned as to 49% by GZ Jiahexing Development. As such, GZ Jiahexing Development is a connected person of our Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

LPG Supply Agreement is not more than three years from the Listing Date to 31 December 2020.

For details on the total consideration and terms of the above the continuing connected transactions, please refer to "Continuing Connected Transactions Which Are Exempt From Circular And The Independent Shareholders' Approval Requirements" in the section headed "Connected Transactions" to the Prospectus.

The following table sets forth the respective annual caps and actual amounts for the continuing connected transactions of the Group for the year ended 31 December 2018:

Name of a Connected Person	Nature of the Transaction	Annual caps for the year ended 31 December 2018 (RMB million)	Actual amounts for the year ended 31 December 2018 (RMB million)
Zhengzhou Public Transportation	Supply of CNG by the Group	153.0	119.4
GZ Jiahexing Development	Wholesale of LPG by the Group	81.0	68.6

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Rule 14A.56 of the Listing Rules.

Confirmation of independent Non-executive Directors:

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2018 and confirmed such transactions have been:

(1) entered into in the ordinary and usual course of business of the Group;

(2) entered into on normal or better commercial terms; and

(3) conducted in accordance with the relevant agreement whose terms are fair and reasonable and in the interests of the shareholders as a whole.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Grant of site usage right to the Group

Zhengzhou Public Transportation and Zhengzhou Sino Gas entered into a licensing agreement ("Licensing Agreement") at 21 November 2018, pursuant to which Zhengzhou Public Transportation, as grantor, agreed to grant the site usage right of the Relevant Sites to Zhengzhou Sino Gas, in consideration for the payment of an annual license fee, payable by an annual amortisation of the prepaid license fee.

Zhengzhou Sino Gas, one of our subsidiaries, was owned as to 38% by Zhengzhou Public Transportation. As such, Zhengzhou Public Transportation is a connected person of our Company at the subsidiary level pursuant to Rule 14A of the Listing Rules.

The period of Licensing Agreement is from 1 January 2018 to 31 December 2020 (renewable upon the sole discretion of Zhengzhou Sino Gas up to 31 December 2023, with further right to renewal up to 14 January 2025, i.e. the expiry of the 20-year period under the joint venture agreement)

Therefore, the continuing connected transactions under the Licensing Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements. For details on the above the continuing connected transactions, please refer to "Exempted Continuing Connected Transactions" in the section headed "Connected Transactions" to the Prospectus.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the year ended 31 December 2018 and up to the date of this annual report are:

Executive Directors:

Mr. Ji Guang *(Chairman and Chief Executive Officer) (appointed on 26 March 2018)*
Ms. Ji Ling *(Vice-Chairman) (appointed on 11 June 2018)*
Ms. Cui Meijian *(appointed on 11 June 2018)*
Mr. Zhou Feng *(appointed on 11 June 2018)*

Independent Non-executive Directors:

Mr. Sheng Yuhong *(appointed on 22 November 2018)*
Mr. Wang Zhonghua *(appointed on 22 November 2018)*
Dr. Zheng Jian Peng *(appointed on 22 November 2018)*

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 18 to 22 of this annual report.

In accordance with Article 105(A) of the articles of association of the Company (the "Articles"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation. In accordance with Article 109 of the Articles, any director appointed by the Board to fill a casual vacancy during the year shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Accordingly, Mr. Ji Guang, Ms. Cui Meijian and Mr. Zhou Feng will retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Since the Listing Date, the Company has taken steps in negotiating the appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company. In March 2019, the Company has taken out such insurance policy.

DIRECTORS' SERVICE CONTRACT

None of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by employing company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group in 2018 are set out in Notes 8 and 9 to the consolidated financial statements of this annual report.

For the year ended 31 December 2018, no emoluments (2017: Nil) were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the directors waived or agreed to waive any of the emoluments.

For the year ended 31 December 2018, no emoluments (2017: Nil) were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the highest paid individuals waived or agreed to waive any of the emoluments.

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans of the Group as at 31 December 2018 are set out in Note 6(b) to the consolidated financial statements of this annual report.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the "Continuing Connected Transactions" as set out in this report and the related party transactions disclosed in Note 29 to the consolidated financial statements of this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "Controlling Shareholders") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 31 December 2018.

COMPETING BUSINESS

For the period from the Listing Date and up to the date of this report, none of the Directors or the Controlling Shareholders and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

DEED OF NON-COMPETITION

Mr. Ji Guang, Petrochemical Gas Group Limited ("VISTA Co"), Sino Gas Holdings Group Limited ("Sino Gas BVI"), China Full, Petrochemical Gas Energy Group Limited ("PCG Employee BVI") and Petrochemical Gas Energy Limited ("PCG BVI"), each being a controlling shareholder (as defined under the Listing Rules) of the Company, have entered into a deed of non-competition dated 22 November 2018 in favour of the Company (the "Deed of Non-Competition"). Details of the Deed of Non-Competition was set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this annual report.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity associated with him has or had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2018.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" below, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2018, 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 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 31 December 2018.

3. These interests comprise 121,500,000 shares held by China Full, 24,300,000 shares held by PCG Employee BVI and 16,200,000 shares held by PCG BVI.

   China Full is wholly owned by Sino Gas BVI, a wholly-owned subsidiary of 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 the date of this report, 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 31 December 2018, 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 31 December 2018.

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 (as founder and protector) 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 31 December 2018, 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 broadened 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 issue 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.
Period within which the securities must be taken up under 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 period 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 during the year and up to the date of this report. The Company did not have any outstanding share options, warrants and instruments convertible into shares as at 31 December 2018 and up to the date of this report.

MATERIAL LITIGATION

Save as disclosed in Note 28(a) to the consolidated financial statements, the Group was not involved in any other material litigation or arbitration during the year ended 31 December 2018. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this annual report.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on 28 December 2018 and the net proceeds from the global offering were approximately HK$120.3 million, which will be utilized for the purposes as set out in the Prospectus. As at 31 December 2018, the Company has not utilised any of the net proceeds.

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

AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2018. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of KPMG as the independent auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the section headed "Management Discussion and Analysis" above, there is no other significant event after the year ended 31 December 2018 of the Group.

By Order of the Board

Mr. Ji Guang
Chairman and Executive Director
Hong Kong, 31 March 2019

The Board is pleased to present its first corporate governance report after the Listing.

CORPORATE GOVERNANCE PRACTICES

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

The Board believes that good corporate governance standards are essential in maintaining a balanced composition of executive Directors and independent non-executive Directors 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.

As the Company's shares were listed on the Stock Exchange on 28 December 2018, the CG Code was not applicable throughout the year. During the period from the Listing Date to 31 December 2018 and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code, except for code provisions A.1.8 and A.2.1 as explained below.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 period from the Listing Date to 31 December 2018.

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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of four executive Directors, namely Mr. Ji Guang, Ms. Ji Ling, Ms. Cui Meijian and Mr. Zhou Feng, and three independent non-executive Directors, namely Mr. Sheng Yuhong, Mr. Wang Zhonghua and Dr. Zheng Jian Peng.

During the period from the Listing Date to 31 December 2018 and up to the date of this report, the composition of the Board comprises the following 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

The biographical details of the Directors are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 18 to 22 of this annual report.

Mr. Ji Guang is the father of Ms. Ji Ling. Save as disclosed, none of the members of the Board is related to one another.

Chairman and Chief Executive Officer

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

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

Independent Non-Executive Directors

Since the Listing Date, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from 1 December 2018.

Appointment and Re-Election of Directors

The independent non-executive Directors are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's articles of association also provide that any Director appointed by Board, either to fill a casual vacancy or as an additional Director, shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board as the primary decision-making body of the Company should assume responsibility for leadership and control of the Company; and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The executive Directors oversee the daily operations of the Company, while our independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

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 Directors and senior management arising out of corporate activities. In March 2019, the Company has taken out such an insurance policy.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year, the Company organized training sessions on directors' duties and responsibilities conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual and legal and regulatory updates have been provided to the Directors for their reference and studying.

The records of the continuous professional development that have been received by the Directors for the year ended 31 December 2018 and up to the date of this report are summarized as follows:

Name of Directors	Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops	Reading relevant news alerts, newspapers, journals, magazines and relevant publications
Executive Directors		
Mr. Ji Guang	✓	✓
Ms. Ji Ling	✓	✓
Ms. Cui Meijian	✓	✓
Mr. Zhou Feng	✓	✓
Independent Non-Executive Directors		
Mr. Sheng Yuhong	✓	✓
Mr. Wang Zhonghua	✓	✓
Dr. Zheng Jian Peng	✓	✓

Board Meetings

As the shares of the Company were only listed on the Stock Exchange on 28 December 2018, the code provisions relating to convening the Board meetings are not applicable to the Company throughout the year ended 31 December 2018. No meeting of the Board was held during the period from the Listing Date to 31 December 2018. Subsequent to the financial year end, a Board meeting was held on 31 March 2019 to consider and approve, among other things, the consolidated financial statements of the Group for the financial year ended 31 December 2018. All Directors attended the said meeting.

From 1 January 2019 onwards, the Board will meet regularly and schedule to meet at least four times every year at approximately quarterly intervals in accordance with the CG Code. Apart from regular Board meetings, the Chairman will also hold meeting annually with the independent non-executive Directors without the presence of other Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

Audit Committee

The Audit Committee was established by the Company pursuant to a resolution of the Board on 22 November 2018 with written terms of reference in compliance with code provision C.3.3 of the CG Code.

The Audit Committee consists of three independent non-executive Directors, namely Dr. Zheng Jian Peng *(Chairman of the Audit Committee)*, Mr. Sheng Yuhong and Mr. Wang Zhonghua.

The main duties of the Audit Committee include (i) assisting the Board in reviewing the financial information and reporting process; (ii) overseeing the risk management and internal control systems; (iii) evaluating the effectiveness of the internal audit function, scope of audit and appointment and dismissal of external auditors; and (iv) making arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As the shares of the Company were only listed on the Stock Exchange on 28 December 2018, no meeting of the Audit Committee was held during the period from the Listing Date to 31 December 2018. Subsequent to the financial year end, a meeting of the Audit Committee was held on 31 March 2019 to review, among other things, the consolidated financial statements for the year ended 31 December 2018 and the Group's accounting policies and practices, Listing Rules and statutory compliance, risk management and internal control systems and financial reporting matters. All members of the Audit Committee attended the meeting.

From 1 January 2019 onwards, the Audit Committee will schedule to meet at least twice per year and will meet with the Company's external auditors regarding the review of the Company's financial report and accounts at least twice a year.

Remuneration Committee

The Remuneration Committee was established by the Company pursuant to a resolution of the Board on 22 November 2018 with written terms of reference in compliance with code provision B.1.2 of the CG Code.

The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Wang Zhonghua *(Chairman of the Remuneration Committee)*, Mr. Sheng Yuhong and Dr. Zheng Jian Peng.

The primary functions of the Remuneration Committee include (i) reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and (ii) establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

As the shares of the Company were only listed on the Stock Exchange on 28 December 2018, no meeting of the Remuneration Committee was held during the period from the Listing Date to 31 December 2018.

Subsequent to the financial year end, a meeting of the Remuneration Committee was held on 31 March 2019 to review the Company's policy and structure for the remuneration of all Directors and senior management, assess the performance of the executive Directors and the senior management, review the remuneration package of the executive Directors and the senior management and make recommendation to the Board on their remuneration. All members of the Remuneration Committee attended the meeting.

Details of the remuneration of each of the Directors are set out in the Note 8 to the consolidated financial statements for the year ended 31 December 2018. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2018 is set out below:

Remuneration band (RMB)	Number of Individual
Nil-500,000	4

Nomination Committee

The Nomination Committee was established by the Company pursuant to a resolution of the Board on 22 November 2018 with written terms of reference in compliance with code provision A.5.2 of the CG Code.

The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Sheng Yuhong *(Chairman of Nomination Committee)*, Mr. Wang Zhonghua and Dr. Zheng Jian Peng.

The principal duties of the Nomination Committee include (i) reviewing the Board composition; (ii) developing and formulating relevant procedures for the nomination and appointment of Directors; (iii) making recommendations to the Board on the appointment or re-appointment of Directors; (iv) planning the succession of Directors; and (iv) assessing the independence of the independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, before making recommendation to the Board.

As the shares of the Company were only listed on the Stock Exchange on 28 December 2018, no meeting was held by the Nomination Committee during the period from the Listing Date to 31 December 2018. Subsequent to the financial year end, a meeting of the Nomination Committee was held on 31 March 2019 to review the size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendation on the re-election of retiring Directors. All members of the Nomination Committee attended the meeting.

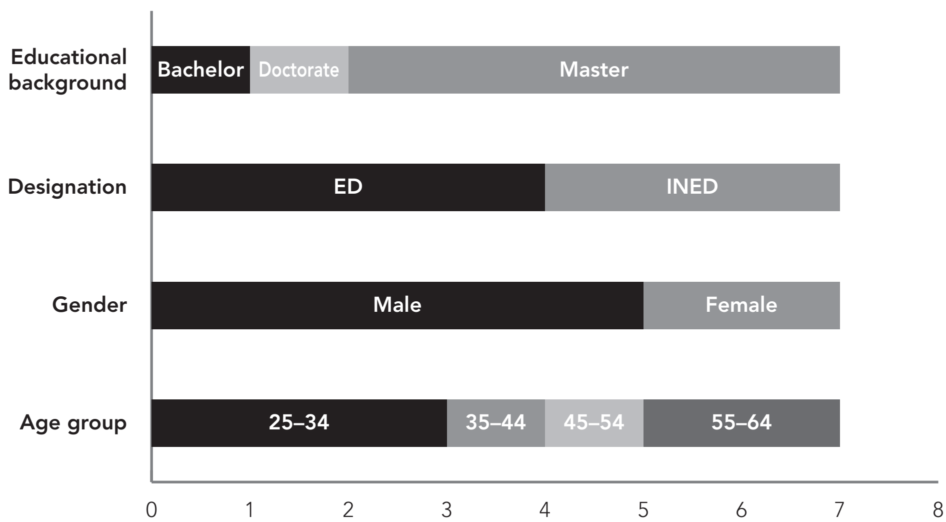
Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Board believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity (including gender diversity).

The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity of the Board and recommend them to the Board for adoption. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision will be based on merits and the contribution that the selected candidates will bring to the Board and the business needs of the Company from time to time. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this report, the Board's composition under diversified perspectives was summarized as follows:



DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and honesty: The candidate should be persons of integrity, honesty and good reputation;

- Diversity in aspects: including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service and diversity aspects under the Board Diversity Policy that are relevant to the business and corporate strategies of the Company;

- Availability: The candidate should have sufficient time for the proper discharge of the duties of a Director, including devoting adequate time for the preparation and participation in meetings, training and other Board or Company associated activities;

- Independence: Requirement for the Board to have independent directors in accordance with Listing Rule (as amended from time to time) and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; and

- Other relevant factors considered by Nomination Committee on a case-by-case basis.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

At the Board meeting held on 31 March 2019, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks and is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company 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 the Group's operations while the Audit Committee reviews and supervises the financial reporting process and internal control system of the Group.

The Company has established a Risk Management and Internal Control Leading Group to review the effectiveness of the Group's internal control systems, policies and procedures, and to report its findings and recommendations to the Audit Committee. The Risk Management and Internal Control Leading Group is responsible for the identification of the Group's business and various areas (including major Operational and financial procedures, regulatory compliance, information security) pose risks of potential impact, develop action plans and make recommendations to address identified risks, and submit annual reports on the Group's internal control environment to the Audit Committee. The Group also conducts self-evaluation each year to confirm proper compliance with the control policy.

The Risk Management and Internal Control Leading Group has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The Board, as supported by the Audit Committee as well as Risk Management and Internal Control Leading Group, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, and considered that such systems were effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DEED OF NON-COMPETITION

The Company has complied with and enforced the terms of the Deed of Non-Competition. Details of the Deed of Non-Competition was set out in the "Report of the Directors" of this report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 67 to 72.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Company, KPMG, in respect of annual audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	**Fees** RMB'000
Annual audit services	1,300
Non-audit services	–
Total	1,300

COMPANY SECRETARY

Ms. Cheng Mei Chun ("Ms. Cheng") has been appointed as the Company's company secretary. Ms. Cheng is a director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Ji Ling, an executive Director, has been designated as the primary contact person at the Company which would work and communicate with Ms. Cheng on the Company's corporate governance and company secretarial matters.

For the year ended 31 December 2018, Ms. Cheng has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles, extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should follow the requirements and procedures as set out in the Articles and "Shareholders Rights Summary" published on the Company's website, for convening a general meeting.

Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall lodge a written notice of his/her/its proposal with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in China, with a copy of the proposal served to the Company's Hong Kong branch share registrar and transfer office.

The request will be verified with the Company's Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Shareholders should follow the requirements and procedures as set out in the Articles and "Shareholders Rights Summary" published on the Company's website, for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3103, Block A1 Caifu Shi Ji Plaza 13 Haian Road, Tianhe District Guangzhou, the PRC
Attention:	the Board of Directors / Company Secretary

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

In addition, to promote effective communication, the Company maintains a website at www.sinogasholdings.com, where information released by the Company on the Stock Exchange's website and all press releases issued by the Company are also available for public access.

Since the Listing Date, the Company has not made any changes to the Articles. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

Policies Relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Shareholders' Communication Policy and the Procedures for Shareholders to Propose a Person for Election as Director are available on the website of the Company.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, retained earnings and distributable reserves, the general economic and political conditions and other internal or external factors that may have an impact on the future business and financial performance of the Group, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

APPROACH

The Group is committed to providing integrated LPG and natural gas services. The Group operates LPG, CNG and LNG vehicle refuelling stations, LPG civil stations, CNG mother stations and LPG and CNG wholesale businesses. The Group primarily operates its business in the PRC market and aims to further build up complete industry chain and focus on the sustainable development on LPG and natural gas industry in the PRC market.

The Group recognizes its responsibilities and accountability to all its stakeholders, including customers, existing shareholders and potential investors, employees, suppliers, non-governmental organizations (NGOs) and local community.

Within the Group, we place a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations, and at the same time, embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, the communities and other stakeholders.

To implement sustainability strategies which apply to all levels of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability

2. To respect human rights and social culture

3. To engage with stakeholders

4. To support our employees

5. To sustain local communities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Company is pleased to present its Environmental, Social and Governance ("ESG") Report. The content contained herein focuses on providing an overview of the environmental, social and governance performance of its major operations in PRC for the year ended 31 December 2018 (the "Reporting Year"). This also facilitates the Group to conduct thorough performance review and evaluation to enhance the overall performance results in the future. The Reporting Year coincides with its financial year.

Scope of the Report

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" in Appendix 27 of the Listing Rules. The report summarizes the Group's major ESG performance in the Reporting Year, and covers its management policies, mechanisms and measures in place with respect to environmental protection, emission reduction, safe workplace, supply chain management, etc.

When deciding the operational boundaries of its ESG report, the Group considers entities with yearly total revenue of RMB5 million or above as its material operating entities, having material ESG risks, and should be included in the ESG report. And thus, this ESG report has been prepared to cover the ESG performance of the Group's nine entities with yearly total revenue of RMB5 million or above during the Reporting Year, namely GD Petrochemical, GZ Sino Gas, Zhengzhou Sino Gas, Henan Yonghui, Ganzhou Sino Gas LPG Company Limited ("Ganzhou Gas") (贛州中油潔能石油液化氣有限公司), GZ Jiahexing, Henan Sino Gas Sales And Transportation Company Limited (河南中油潔能銷售運輸有限公司) ("Henan Transportation"), Xinzheng Sino Gas and Guangzhou Sino Gas Logistics Company Limited (廣州中油潔能物流有限公司) ("GZ Logistics") (the "Reporting entities").

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data is extracted from or calculated based on the Group's audited annual financial statements for the year ended 31 December 2018.

Feedback

For details of our ESG performance, corporate governance as well as financial performance, please visit our website at www.sinogasholdings.com and our annual reports. We treasure your feedback and comments on our sustainability performance, please send your feedback and enquiries to investmentdep@sinogasholdings.com.

ABOUT THE COMPANY

Our Business

The Company was listed on the Main Board of the Stock Exchange in 2018 with the stock code of 1759. We are principally engaged in providing integrated LPG and natural gas services through mainly operation in number of vehicular refuelling stations in Guangdong Province, Jiangxi Province and Henan Province of the PRC. By accumulating several years industry experiences and maintaining complete industry chain, we have strong presence in the LPG vehicular refuelling market in Guangdong Province and CNG vehicular refuelling market in Henan Province of the PRC market.

Our Vision

To maintain the leading position in the industry in order to provide high quality integrated LPG and natural gas services in Guangdong Province, Jiangxi Province and Henan Province of the PRC.

Board of Directors

As at the date of this report, the board of directors consist of:

Executive Directors	**Independent Non-executive Directors**
Mr. Ji Guang *(Chairman and Chief Executive Officer)*	Mr. Sheng Yuhong
Ms. Ji Ling *(Vice-Chairman)*	Mr. Wang Zhonghua
Ms. Cui Meijian	Dr. Zheng Jian Peng
Mr. Zhou Feng	

OUR STAKEHOLDERS

The Company actively strives to better understand its stakeholders and engage them to ensure continuous improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

Stakeholders	Probable issues of concern	Communication and responses
HKEX	Compliance with Listing Rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Suppliers	Payment schedule, stable demand.	Site visits.
Shareholders/Investors	Corporate governance system, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human right.	Issue of newsletters on the Company's website.
Customers	Product quality, delivery times, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Union activities, trainings, interviews for employees, employee handbooks, internal memos, employee suggestion boxes.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Section A: Environmental

We understand the high importance of environmental protection, in respect of which we promise not to sacrifice the environment in exchange of our business. In this respect, we strongly believe that a healthy environment is the basis of the Group's sustainable development. We aim at maintaining sustainable development and building a green community with our stakeholders. Thus, we will strive to integrate environmental sustainability into our business operations through various measures so as to reduce our carbon emission level and the relevant intensity[1] in our daily operations.

For the Reporting Year, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will continue to be alert to any non-compliance behavior relating to critical environmental problems.

Emissions

As the top priority of the Group towards environment, we strive to reduce emissions for protecting the environment. The consideration of emission data, including both the air emissions and greenhouse gas emissions, is a measurement for understanding the impacts of our business behaviors on the environment, which provides guidance for the Group to take meaningful actions in the future.

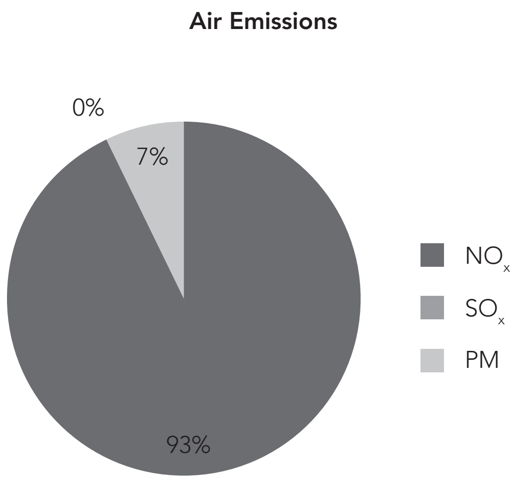
Air Pollution Emissions[2]

Air emissions, including nitrogen oxides ("NO_x"), sulphur oxides ("SO_x"), etc., are the key air pollutants to the environment. The Group's emissions of air pollutants are mainly generated by its usage of vehicles for transportation of LPG and natural gas.

During the Reporting Year, the total air emissions produced by the Group amounted to approximately 12,287kg, consisting approximately 93% of NO_x and 7% of Particulate Matter ("PM").

When considering the air emissions intensity, the Group has recorded approximately 24 kg of air emission per employee and 1,365 kg of air emission per reporting entity.

Looking forwards, the Group will continue improving the efficiency of usage of vehicles by better planning over the travelling routes, so as to better control its air emissions.



1 The different intensity figures in this report are calculated per employee and per reporting entity. There were 515 employees as at 31 December 2018 and 9 reporting entities were included in this ESG report.

2 Due to limitation in collecting data of kilometres travelled directly from most of our facilities, best conservative estimates are made based upon the units of fuel consumed according to the energy utilization index published by the Electrical and Mechanical Services Department.

Greenhouse Gas Emissions

Greenhouse gas emissions are the main factors contributing to global warming, leading to climate changes and threatening the ecosystem of the world. To continuously fulfill the duties as an enterprise with corporate social responsibility, we embrace in driving green practices in our day-to-day operations so as to reduce greenhouse gas emissions in our business operation.

During the Reporting Year, besides the direct greenhouse gas emissions from the usage of vehicles for transportation of LPG and natural gas, there were also indirect emissions of greenhouse gases due to consumption of the electricity and water resources. During the Reporting Year, the Group's total amount of greenhouse gas emissions, including both direct and indirect aspects, was approximately 10,880 tonnes.

When considering the greenhouse gas emission intensity, the Group recorded approximately 21 tonnes of greenhouse gas emissions per employees, and approximately 1,209 tonnes of greenhouse gas emissions per business entity in the Reporting Year.

GHG Emission Sources	**GHG produced (tonnes)**	**%**
Scope 1 — Direct emission from sources		
— Vehicles	1,699.68	15.62
Scope 2 — Emissions from electricity consumption		
— Electricity consumption[3]	9,162.67	84.21
Scope 3 — Other indirect emission sources		
— Paper waste disposal in landfills[4]	5.15	0.05
— Electricity used for processing fresh water[5]	4.09	0.04
— Electricity used for processing sewage[6]	2.05	0.02
— Business air travel by employees	6.45	0.06
Grand total	**10,880.09**	**100%**
Intensity per entity	**1,208.90**	
Intensity per employee	**21.13**	

3 0.68 kg CO_2e/kWh was taken as the carbon emission factor for electricity consumption in the PRC.

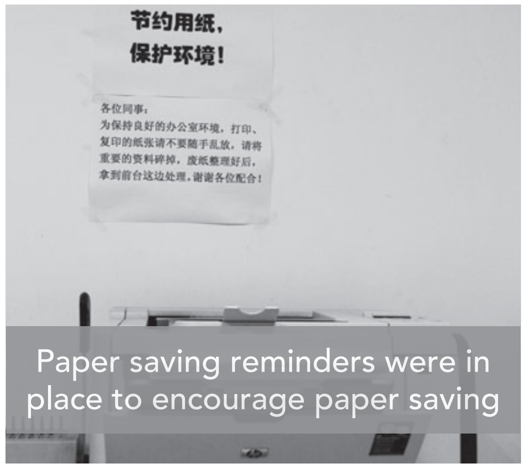
4 Due to the limitation of complexity, for some reporting entities with difficulties in collecting data of paper usage, estimation had been made based on its average units of paper purchased during the Reporting Year.

5 According to the 2016/17 Annual Report of Water Supplies Department, its unit electricity consumption was 0.575 kWh/m^3. And due to the limitation in obtaining such information in PRC, the emissions were calculated using Hong Kong latest relevant factors.

6 According to the 2016/17 Annual Report of Drainage Services Department, its unit electricity consumption was 0.2886 kWh/m^3. And due to the limitation in obtaining such information in PRC, the emissions were calculated using Hong Kong latest relevant factors.

The Group has been making efforts on reducing greenhouse gas emission. With the emissions from electricity consumption being the major composition of its greenhouse gas emissions, the Group encourages employees to treasure the resources, including electricity and water resources. For saving energy purpose, the lightings are switched off during lunchtime. Besides, reminders of electricity and water saving are posted in the reporting entities.

Lightings switched off during lunchtime



Paper saving reminders were in place to encourage paper saving

Waste Management

Hazardous Waste

The business operations of the Group produced no hazardous waste, including chemical wastes, clinical wastes and hazardous chemicals, during the Reporting Year.

Non-hazardous Waste

The major non-hazardous waste produced by the Group was the paper waste during the Reporting Year. It was amounted to approximately 1,074 kg, which means an average of 2 kg of paper waste was produced per employee. In this regard, the Group strives to create a paperless working environment by reducing the use of paper-printing. The Group constantly encourages its employees to print on double sides and reuse single-side printed paper by placing reminders. By the efforts on reducing and reusing paper in the workplace, the Group is confident to reduce its paper waste in the coming years.

Use of Resources

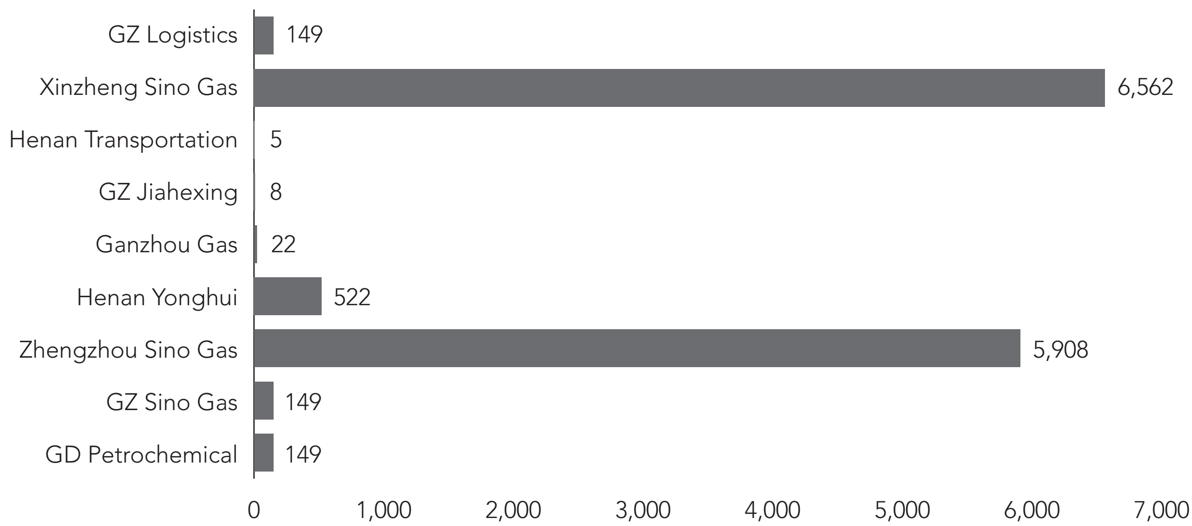
The Group aims at becoming an environmentally sustainable enterprise contributing to environmental protection by conservation of energy and the natural resources.

Energy Consumption

The total energy consumption in the Reporting Year was approximately 13,475 MWh. The electricity consumption intensity, which is calculated by dividing the electricity consumption by the total number of employees, was around 26.16 MWh per employee. The electricity consumed by the Group was the major contributor to its greenhouse gas emissions in the Reporting Year. In order to reduce the Group's carbon and energy footprints, the Group consistently insists on "no-light policy" during lunch time. Besides, the Group will continuously promote awareness of treasuring electricity on daily operations to its employees and strive for reducing electricity consumption in the coming years.

The electricity consumption records by business units are shown in the below chart[7], so that comparison can be made starting from the next year for better understanding the performance of the business units in different locations and making meaningful actions in the future. The significant electricity consumption of Xinzheng Sino Gas and Zhengzhou Sino Gas was mainly due to their business operations of several refuelling gas stations and the usage of equipment for CNG. The Group is committed to make efforts on preserving the energy and monitoring the consumption in coming years.

Electricity Consumption by Business Unit (in MWh)



Water Consumption

Water resources have always been one of the most invaluable natural resources on the Earth. For the Group's operation in the Reporting Year, water consumed by the Group was approximately amounted to 10,154 cubic meters. The Group's water consumption intensity, which is calculated by dividing the water consumption by the total number of employees, was around 20 cubic meters per employee.

Paper Usage

Efficiency in usage of paper in daily operation has been advocated and communicated to our employees. We consistently encourage double-sided printing and collecting single-side printed paper for reusing purpose. By these measures, the paper usage was approximately 1,074 kg in the Reporting Year, and we are confident to reduce the figure in the coming years.

Packaging Materials

As the Group's operations mainly focus on sale of LPG, CNG and LNG, no material packaging material consumption of the Group is found during the Reporting Year.

[7] GD Petrochemical, GZ Sino Gas and GZ Logistics share an office space, so each of their electricity consumption was recorded as the electricity consumption of the office space divided by three.

The Environment and Natural Resources

As an environmentally sustainable enterprise, the Group believes that the invaluable and precious environment should not be sacrificed for our business activities. Therefore, we will continuously take efforts on environmentally friendly practice in various aspects.

Section B: Social — Employment and Labor Practices

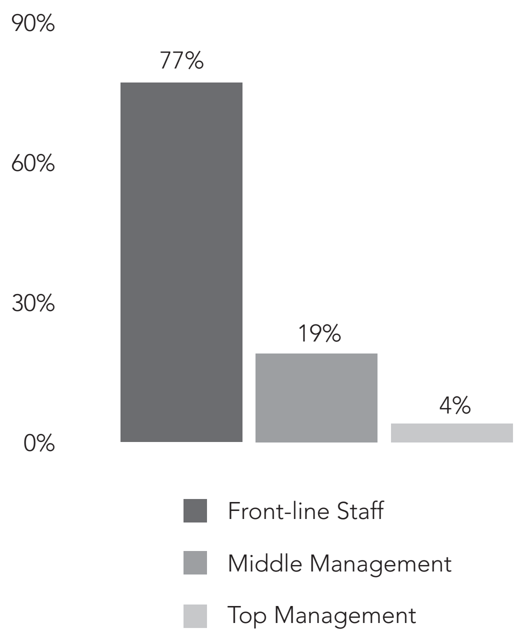
Employment

We believe that sustainable business success relies on the contribution and support of our talented employees. We treasured our employees as the most valuable assets to the group, especially our front-line employees of gas refuelling stations. Our employees contribute their efforts to provide gas refuelling for our customers. The contributions of our employees promote our Group to achieve corporate goals and maintain sustainable development. This is the reason why we continue improving our friendly employment policies. Our human resources policy and procedures, including recruitment, probation, termination, promotion, retirement, transfer, appraisal, working hours, salary, bonus, entitled leave and medical benefits, comply with the relevant legislation in PRC.

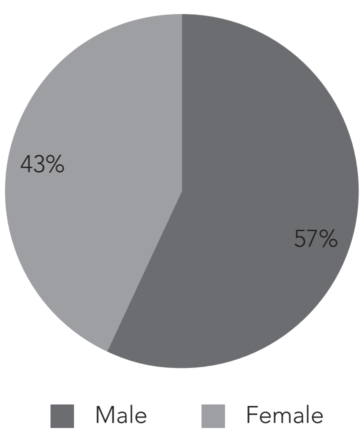
Our Employees

We have a total number of 515 employees as at 31 December 2018, with approximately 43% female and 57% male. When considering management level, our headcount consists of approximately 77%, 19% and 4% front-line employees, middle management and top management respectively. Our employee composition by management level is more or less the same as other companies in the same industry, as more front-line employees are needed to provide gas refuelling service in stations. We believe that maintaining a diverse but inclusive workforce among our working environment is the key to maintain a sustainable and successful business in coming future.

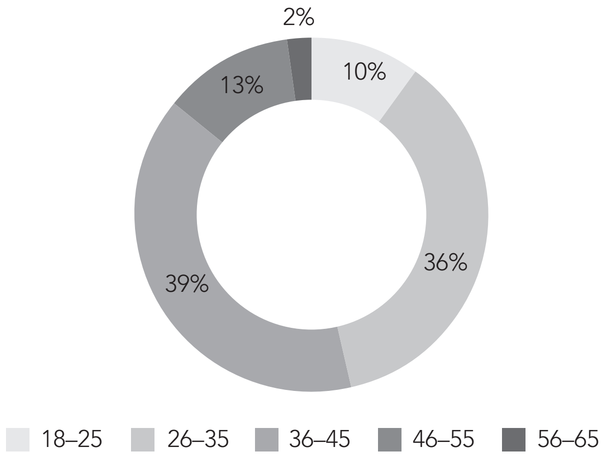
By Management Level



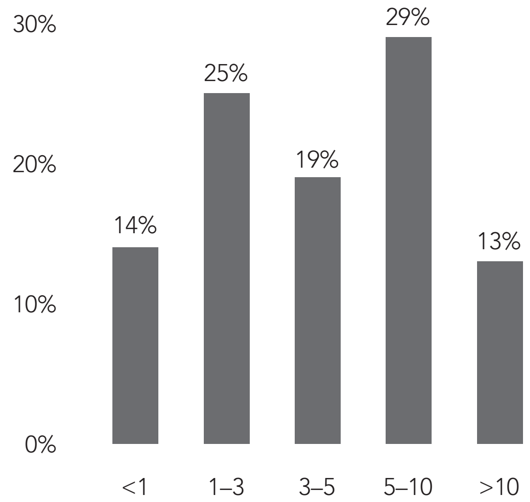
By Gender



By Age Group

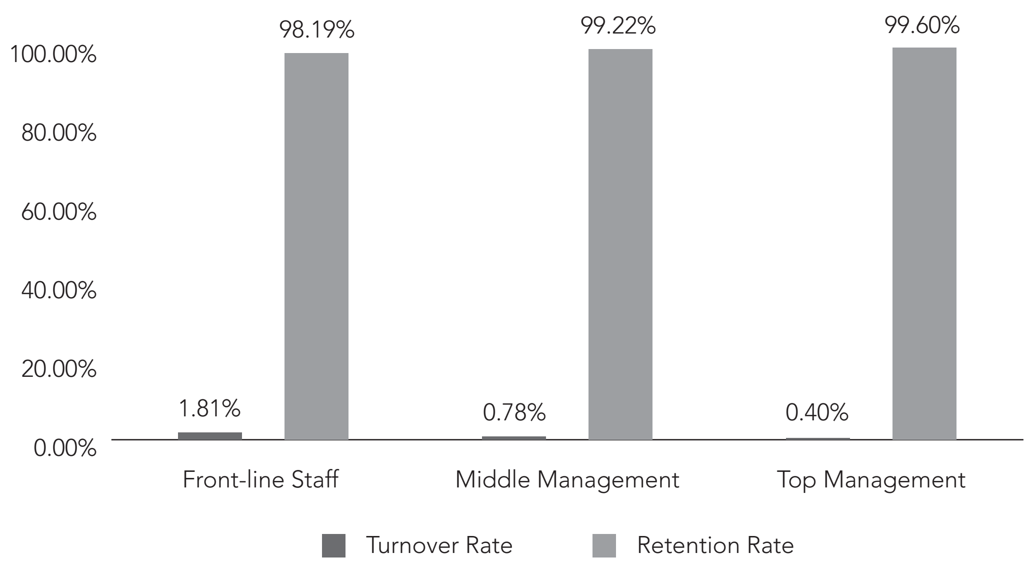


By Years of Serving the Group



During the Reporting Year, the Group maintained an average monthly employee turnover rate of 1.57%. We take pride in the dedication and effort of all our employees, which contribute to our success. In order to keep our employees' loyalty to our Group and maintain close relationship with our employees, we regularly hold several team-building and gathering activities. With our consistent efforts in strengthening our bound with our talented employees, we are confident that we are able to retain our talent employees. Moreover, with 0.40% turnover rate of our top management, we are confident that the negative impact of employee turnover on our operations has been mitigated.

Retention and Turnover Rate by Management Level



Employee Benefits

The Group appreciates the hard work and contributions of each employee. A comprehensive employee benefits package is therefore in return to offer to our dedicated and talented staff. The employee benefits are compensated fairly according to their performance, with reference to the market practice.

The Group performs annual staff performance appraisal to assess the performance of employees for year-end bonus determination. In this regard, a transparent mechanism is conducted by taking into account various factors, including but not limited to, employees' attendance performance, capability, attitude, and contributions to the Group. With reference to appraisal on our employees, staff promotion and salary increment are rewarded to the contributing and improving employees.

In addition, we contribute to the employees' social insurance and housing funds with reference to the Labor Law of the PRC for our employees. Besides, high temperature subsidy is offered for our front-line employees of gas refuelling stations on several months within summer season annually.

Harmonious Workspace

A harmonious and inclusive working environment, free from any harassment and discrimination is promoted in the group. We consistently strive for building a harmonious and inclusive working environment. We respect equal dignity, providing equal opportunities for our employees. We also value working environments with polite towards employees and fully departmental coordination among the group.

Procedure of grievances has been set up in the Group. Problems or complaints related to work or the Group are welcome to discuss with a direct department head or top management of the Group. Our relevant department head and top management will consider all complaints impartially and efficiently for problem-solving.

Work-life Balance of Employees

Taking a break is crucial for the Group to accomplish long-term goals. Thus, we encourage work-life balance for our employees, by providing them with annual leaves, and 5 days' work per week with eight working hours per day. Overtime compensation would be offered to our dedicated employees. Employees are also entitled special leaves to meet their families' needs, such as marriage leave, funeral leave and maternity leave, etc.

Health and Safety

The Group is committed to providing a safe working environment for its employees. The Group aims not only to meet the minimum occupational health and safety standards required by law, but to exceed them. The safety policies and procedures are implemented among our group, especially for our gas refuelling stations. Before a new front-line employee perform their duties on gas stations, safety training and education are provided to new front-line employees. Safety educations including safety operation guidance, safety discipline and general safety technics for gas refuelling operation. Newly recruited front-line employees are required to attend exam organized by the Group regarding to safety operation of gas station. Only those employees who passed exam could perform their duties on gas station.

Besides, safety agent of gas stations is required to perform safety check on gas refuelling equipment and relevant machinery so as to ensure safety operation on gas refuelling process. Safety rules and regulations are set for bad weather such as thunder and typhoon season. We strongly require our front-line employees to strictly follow the guidance set on the bad weather so as to ensure a safe working environment. In addition, reminders and notices are posted on the gas stations to remind customers the dangerous of inflammable gas. Also, the reminder of forbid firework and no phone call are warming our employees and customers when they are in gas stations.

The safety agents are responsible for ensuring that appropriate policies, procedures and safeguard measures are put in practice. The Group purchased medical insurances for its employees. The social insurance and housing provident fund are closely monitored and adjusted according to the headcounts. In the light of these practices, no death or permanent disability case was noted during the Reporting Year. 2 employees were injured at work in which the total labor hour lost due to injuries comprises of 372 hours. We will constantly review our health and safety measures in place to best safeguard our employees' health.

Development and Training

From time to time, there are internal trainings held to improve our employees' safety knowledge and technics, as well as to keep them reminded on their safety operations. In the Reporting Year, the Group provided approximately 20.9 hours of training to each of 421 of its employees, achieving approximately 82% training rate. The Group encourages its employees to continue learning in order to promote their career growth and development with strong safety and technical capability in the LPG and natural gas industry.

Labor Standards

We understand and fully comply with the labor laws and relevant legislations that prohibit child labor and forced labor. We would not employ any person below the age of eighteen. Each applicant of our Group needs to present their identity documents during the recruitment process, so as to prevent child labor. In addition, we committed to ensure that no employee is forced to work against his/her will, or work as forced labor. We strive for ensuring equal dignity and respects for our employees. Any violence, with the purpose of deliberately causing difficulties, threats and/or corporal punishment, forcing employees to work is prohibited.

During the Reporting Year, there was no material non-compliance issue with applicable laws and regulations in relation to labor standards.

Section B: Social — Operating Practices

Supply Chain Management[8]

The Group understands that providing high quality of LPG and natural gas is key to our corporate sustainable development and business success. The Group implements rigorous management of its suppliers. In this respect, a list of approved suppliers has been established and reviewed on regular basis. The financial and operational background including the permits, qualifications and licenses obtained) of the suppliers, price level, and terms and conditions of supply are all taken into consideration.

The supplier assessment is performed annually. The assessment includes reviews on suppliers' business licenses, operation of LPG or natural gas licenses, timely on delivery of quality check on gas provided, etc. In addition, agreement regarding to business ethics is signed with our suppliers. In light of this practice, suppliers are also encouraged to demonstrate their corporate social responsibilities by complying with corporate social responsibility codes as well as business ethics, with respect to operations, marketing activities and social contacts. High standards of morality which include prohibition of provision and acceptance of bribes and/or other unfair benefits are adopted by the Group.

In particular for LPG, to ensure the quality of LPG purchased by the Group, the Group would perform checking on quality certificate on regular basis so as to maintain the quality of LPG we sold to our customer. For natural gas, the Group purchased directly from state-owned enterprise, which also provide confident on quality of natural gas to our customers.

The Group would continue to implement appropriate management on supply chain so as to maintain high quality of gas supply and to maintain sustainable development.

Product Responsibility

The Group's business leading by its experienced management team is committed to providing high quality of products to our customers, so as to enhance the Group's competitiveness and achieve mutual success between the Group and customers. For maintaining product quality, regularly supply quality review and assessment are performed as mentioned above. Moreover, to ensure the service quality with meeting safety requirements, regular training is provided to relevant front-line employees of gas stations for the job-related skills, knowledge and safety technics. Besides, for customers who entitles gas refuelling card of gas station, we committed to protecting personal information of our customers. Employees are required to sign the non-disclosure agreement when they join the Group to ensure proper maintenance of confidentiality of the Group's business strategies and protect customers' data privacy in daily operation.

With the above measures, the Group successfully recorded no complaints regarding products and services during the Reporting Year.

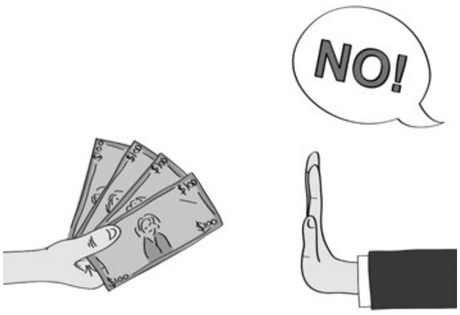
[8] CNG is mainly purchased from stated-own enterprise.

Anti-corruption

We prohibit all forms of bribery and corruption. Employees should not solicit or accept any advantage in connection with his/her work without the permission of the Group. Advantages include both monetary and non-monetary benefits. It is the Group's rule that no director or employee may solicit or accept any advantage from any person having business dealings with the Group. Moreover, under no circumstances may a director or employee provide misleading and fraudulent financial data and create faked financial record.

Employees were able to report any suspicious activities through various channel, i.e. emails, written report, in person, to General Manager and Operating Manager. Immediate action to investigate would be taken by Top Management on the issue. A Code of Conduct has been established for enabling the directors and employees to perform at the highest level of integrity, commitment and professionalism.

During the Reporting Year, there was no concluded legal case regarding corrupt practices brought against the Group or its employees.



Section B: Social — Community

The Group advocates the concept of returning back to the community. The Group makes efforts on not only increasing its positive impacts on the environment and community, but also in creating a safe and equal working environment for its employees, and moreover, emphasizing the good quality of products and services provided for protecting the interests of our customers. We believe working as a responsible corporate is critical to give back to the community. In the coming years, the Group will continue investing our efforts in the abovementioned aspects and maintaining the success of this year.

REGULATORY COMPLIANCE

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to emissions, employment, health and safety, labor standards, product responsibility and anti-corruption during the Reporting Year.

ENVIRONMENTAL DATA

	Year ended 31 December 2018	Unit
Air Emissions		
Total Air Emissions[9]	12,287.30	kg
Nitrogen Oxides	11,450.44	kg
Sulphur Oxides	10.27	kg
Respiratory Suspended Particles	826.59	kg
Air Emission Intensity (per employee)	23.86	kg/employee
Air Emission Intensity (per business entity)	1,365.26	kg/reporting entity
Greenhouse Gas Emissions		
Total Greenhouse Gas Emissions	10,880.09	tonnes
Scope 1 Emissions from Fossil Fuel Consumption	1,699.68	tonnes
Scope 2 Emissions from Electricity Consumption[10]	9,162.67	tonnes
Scope 3 Emissions from Disposal of Paper Waste[11]	5.15	tonnes
Emissions from Water Consumption[12]	6.14	tonnes
Emissions from Business Air Travel	6.45	tonnes
Greenhouse Gas Emission Intensity (per employee)	21.13	tonnes/employee
Greenhouse Gas Emission Intensity (per business entity)	1,208.90	tonnes/reporting entity

	Year ended 31 December 2018	Unit
Electricity Consumption	13,474.52	MWh
Electricity Consumption Intensity (per employee)	26.16	MWh/employee
Paper Waste	1,073.52	kg
Paper Waste Intensity (per employee)	2.08	kg/employee
Water Consumption	10,154.15	cubic meter
Water Consumption Intensity (per employee)	19.72	cubic meter/employee

9 Due to limitation in collecting data of kilometres travelled directly from most of our facilities, best conservative estimates are made based upon the units of fuel consumed according to the energy utilization index published by the Electrical and Mechanical Services Department.

10 0.68 kg CO_2e/kWh was taken as the carbon emission factor for electricity consumption in the PRC.

11 Due to the limitation of complexity, for some reporting entities with difficulties in collecting data of paper usage, estimation had been made based on its average units of paper purchased during the Reporting Year.

12 According to the 2016/17 Annual Report of Water Supplies Department, its unit electricity consumption was 0.575 kWh/m^3. And due to the limitation in obtaining such information in the PRC, the emissions were calculated using Hong Kong latest relevant factors.
According to the 2016/17 Annual Report of Drainage Services Department, its unit electricity consumption was 0.2886 kWh/m^3. And due to the limitation in obtaining such information in PRC, the emissions were calculated using Hong Kong latest relevant factors.

SOCIAL DATA

	Year ended 31 December 2018
Total Employment	515
Employment by Gender	
Male	57%
Female	43%
Employment by Age Group	
18–25	10%
26–35	36%
36–45	39%
46–55	13%
56–65	2%
Employment by Management Level	
Front-line employees	77%
Middle Management	19%
Top Management	4%
Employment by years of serving the Group	
under 1 year	14%
1–3 years	25%
3–5 years	19%
5–10 years	29%
over 10 years	13%
Monthly Average Turnover Rate	1.57%
Monthly Average Turnover Rate by Management Level	
Front-line employees	1.81%
Middle Management	0.78%
Top Management	0.40%
Development and Training	
Number of Training Hours per Trained Employee	20.90
Health and Safety	
Number of reported injuries	2
Number of lost hours	372

ESG REPORTING GUIDE & REFERENCE

A1. Emissions		Page #
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		51–53
KPI A1.1	The types of emissions and respective emission data.	51–52
KPI A1.2	Greenhouse gas emission in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	52–53
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	53
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	53
KPI A1.5	Description of measures to mitigate emissions and results achieved.	51–53
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	53

A2. Use of Resources		Page #
Policies on the efficient use of resources, including energy, water and other raw materials.		53–54
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	53–54
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	54
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	53–54
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	54
KPI KA2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	54

A3. The Environment and Natural Resources		Page #
Policies on minimizing the issuer's significant impact on the environment and natural resources.		51–55
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	51–55

B1. Employment		Page #
Policies and compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		56–58
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	56–57
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	57 (by management level)

B2. Health and Safety		Page #
Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.		58–59
KPI B2.1	Fatality number and rate.	N/A
KPI B2.2	Lost days due to work injury.	59
KPI B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	58–59

B3. Development and training		Page #
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		59
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A

B4. Labour standards		Page #
Policies and compliance with laws and regulations relating to preventing child and forced labor.		60
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	60
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	60

B5. Supply chain management		Page #
Policies on managing environmental and social risks of the supply chain.		60
KPI B5.1	Number of suppliers by geographical region.	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	N/A

B6. Product responsibility		Page #
Policies; and compliance with laws and regulations relating to health and safety. Advertising, labeling and privacy matters relating to products and services provided and method of redress.		60
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	60
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	60
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A

B7. Anti-corruption		Page #
Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.		61
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	61
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	61

B8. Community investment		Page #
Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests.		61
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	61
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A

Independent Auditor's Report to the Shareholders of Sino Gas Holdings Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sino Gas Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 73 to 145, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Assessment of the potential impairment of the property, plant and equipment and lease prepayments attributable to gas refuelling stations

Refer to Notes 11 and 12 to the consolidated financial statements and the accounting policies in Note 2(j)(iii).

The Key Audit Matter	How the matter was addressed in our audit
The Group's property, plant and equipment and lease prepayments, with a total carrying amount of RMB171,783,000, are principally used in the operations of gas refuelling stations. In view of the unexpected fluctuation of the prices of liquefied petroleum gas ("LPG"), compressed natural gas ("CNG") and liquefied natural gas ("LNG") during the year ended 31 December 2018, management considered that there were indicators that the Group's property, plant and equipment and lease prepayments attributable to gas refuelling stations may be impaired as at 31 December 2018. Management performs impairment assessments of the property, plant and equipment and lease prepayments attributable to the Group's gas refuelling stations whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.	Our audit procedures to assess the potential impairment of the property, plant and equipment and lease prepayments attributable to gas refuelling stations included the following: • assessing management's identification of indicators of potential impairment of the property, plant and equipment and lease prepayments attributable to gas refuelling stations, the identification of the CGUs, the allocation of assets to each CGU, the use of the value in use model for determining the recoverable amounts and the methodology adopted in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group's gas refuelling station business and the requirements of the prevailing accounting standards; • assessing management's discounted cash flow forecasts for those CGUs where impairment indicators were noted by comparing the key assumptions adopted by management, in particular, forecast retail selling prices and purchase prices of LPG, CNG and LNG and forecast expenses, with our understanding, experience and knowledge of the Group's gas refuelling station business and the LPG, CNG and LNG industry in general;

KEY AUDIT MATTERS *(Continued)*

Assessment of the potential impairment of the property, plant and equipment and lease prepayments attributable to gas refuelling stations

Refer to Notes 11 and 12 to the consolidated financial statements and the accounting policies in Note 2(j)(iii).

The Key Audit Matter	How the matter was addressed in our audit
Each gas refuelling station operated by the Group has been identified as a separate cash-generating unit ("CGU") for impairment assessment purpose. For those CGUs where an indicator of impairment was identified, management compares the carrying amounts of the property, plant and equipment and lease prepayments allocated to each CGU with the respective recoverable amounts, which are estimated by calculating their value in use based on a discounted cash flow forecasts, to determine the amount of impairment loss, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in determining the relevant inputs to the discounted cash flow forecasts and the assumptions adopted therein, including forecast retail selling prices and purchase prices of LPG, CNG and LNG, forecast expenses and the discount rates applied. We identified assessment of the potential impairment of the property, plant and equipment and lease prepayments attributable to gas refuelling stations as a key audit matter because the impairment assessments involve the exercise of significant management judgement, particularly in forecasting retail selling prices and purchase prices of LPG, CNG and LNG, forecasting expenses and determining the appropriate discount rates, all of which could be subject to management bias in their selection.	• comparing the forecast retail selling prices and purchase prices of LPG, CNG and LNG with external market data; • comparing key financial data, including revenue, cost of sales and expenses, in the cash flow forecasts with the budgets approved by the board of directors; • comparing the actual results for the current year with management's estimates in their cash flow forecasts prepared in the previous year to assess the historical accuracy of the management's forecasting process; • assessing, with the assistance of our internal valuation specialists, whether the discount rates applied in the discounted cash flow forecasts were within the range of those adopted by other companies in the same industry; and • performing sensitivity analysis of the key assumptions adopted by management, including forecast retail selling prices and purchase prices of LPG, CNG and LNG, forecast expenses and the discount rates applied, to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Chi Yau, Charles.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018 (Expressed in Renminbi ("RMB"))

	Note	2018 RMB'000	2017 RMB'000 (Note)
Revenue	4	**1,220,011**	1,095,339
Cost of sales		**(1,038,851)**	(879,680)
Gross profit	4(b)	**181,160**	215,659
Other income	5	**7,556**	9,138
Staff costs	6(b)	**(43,502)**	(48,645)
Depreciation and amortisation	6(c)	**(13,316)**	(13,178)
Operating lease charges	6(c)	**(17,138)**	(15,100)
Other operating expenses		**(44,422)**	(27,894)
Profit from operations		**70,338**	119,980
Finance costs	6(a)	**(8,895)**	(5,474)
Share of profits/(losses) of joint ventures	14	**66**	(883)
Profit before taxation	6	**61,509**	113,623
Income tax	7	**(20,483)**	(29,381)
Profit for the year		**41,026**	84,242
Attributable to:			
Equity shareholders of the Company		**37,634**	82,250
Non-controlling interests		**3,392**	1,992
Profit for the year		**41,026**	84,242
Earnings per share (RMB)			
— Basic and diluted	10	**0.23**	0.51

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

The notes on pages 80 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Expressed in RMB)

	2018 RMB'000	2017 RMB'000 (Note)
Profit for the year	**41,026**	84,242
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**76**	–
Total comprehensive income for the year	**41,102**	84,242
Attributable to:		
Equity shareholders of the Company	**37,710**	82,250
Non-controlling interests	**3,392**	1,992
Total comprehensive income for the year	**41,102**	84,242

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

The notes on pages 80 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 (Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	11	**156,410**	127,020
Lease prepayments	12	**15,373**	11,184
Interests in joint ventures	14	**37,817**	37,036
Other financial assets	15	**13,700**	13,500
Deferred tax assets	24(b)	**5,754**	5,102
		229,054	193,842
Current assets			
Inventories	16	**3,927**	3,687
Trade and bills receivables	17	**84,096**	94,730
Prepayments, deposits and other receivables	18	**165,264**	61,739
Amounts due from related parties	19	**–**	79,096
Cash at bank and on hand	20	**239,575**	157,501
		492,862	396,753
Current liabilities			
Bank loans	21	**275,233**	138,000
Trade and bills payables	22	**36,179**	41,080
Accrued expenses and other payables	23	**49,071**	46,739
Income tax payable	24(a)	**3,029**	7,625
		363,512	233,444
Net current assets		**129,350**	163,309
NET ASSETS		**358,404**	357,151

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

The notes on pages 80 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2018 (Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
CAPITAL AND RESERVES	25		
Share capital		**1,892**	–
Reserves		**318,588**	333,151
Total equity attributable to equity shareholders of the Company		**320,480**	333,151
Non-controlling interests		**37,924**	24,000
TOTAL EQUITY		**358,404**	357,151

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

Approved and authorised for issue by the board of directors on 31 March 2019.

Ji Guang
Chairman

Ji Ling
Director

The notes on pages 80 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note 25(c)	Share premium RMB'000 Note 25(d)(i)	Other reserve RMB'000 Note 25(d)(ii)	Statutory reserve RMB'000 Note 25(d)(iii)	Exchange reserve RMB'000 Note 25(d)(iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At I January 2017	–	–	38,562	36,522	–	175,817	250,901	17,108	268,009
Changes in equity for the year ended 31 December 2017:									
Profit and total comprehensive income for the year	–	–	–	–	–	82,250	82,250	1,992	84,242
Capital injection by a non-controlling equity holder of a subsidiary of the Group	–	–	–	–	–	–	–	4,900	4,900
Appropriation to reserves	–	–	–	1,721	–	(1,721)	–	–	–
	–	–	–	1,721	–	(1,721)	–	4,900	4,900
At 31 December 2017	–	–	38,562	38,243	–	256,346	333,151	24,000	357,151
At 31 December 2017	–	–	38,562	38,243	–	256,346	333,151	24,000	357,151
Impact on initial application of IFRS 9 (Note)	–	–	–	–	–	(101)	(101)	–	(101)
Adjusted balance at 1 January 2018	–	–	38,562	38,243	–	256,245	333,050	24,000	357,050
Changes in equity for the year ended 31 December 2018:									
Profit for the year	–	–	–	–	–	37,634	37,634	3,392	41,026
Other comprehensive income for the year	–	–	–	–	76	–	76	–	76
Total comprehensive income	–	–	–	–	76	37,634	37,710	3,392	41,102
Effect on equity arising from decrease in equity interests in subsidiaries (Note 13)	–	–	1,468	–	–	–	1,468	7,632	9,100
Issuance of shares (Notes 25(c)(ii) and 25(d)(ii))	–	52,000	(52,000)	–	–	–	–	–	–
Capitalisation issue (Note 25(c)(iii))	1,419	(1,419)	–	–	–	–	–	–	–
Capital injection by a non-controlling equity holder of a subsidiary of the Group	–	–	–	–	–	–	–	4,900	4,900
Distributions (Note 25(b))	–	–	–	–	–	(175,000)	(175,000)	–	(175,000)
Distributions to non-controlling equity holders of a subsidiary	–	–	–	–	–	–	–	(2,000)	(2,000)
Issuance of shares by initial public offering (Note 25(c)(iv))	473	122,779	–	–	–	–	123,252	–	123,252
Appropriation to reserves	–	–	–	2,257	–	(2,257)	–	–	–
	1,892	173,360	(50,532)	2,257	–	(177,257)	(50,280)	10,532	(39,748)
At 31 December 2018	1,892	173,360	(11,970)	40,500	76	116,622	320,480	37,924	358,404

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

The notes on pages 80 to 145 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018 (Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Operating activities			
Profit before taxation		**61,509**	113,623
Adjustments for:			
Depreciation and amortisation	6(c)	**13,316**	13,178
Net gain on disposal of property, plant and equipment	5	**(113)**	(1,128)
Interest income	5	**(1,779)**	(2,874)
Finance costs	6(a)	**8,895**	5,474
Share of (profits)/losses of joint ventures	14	**(66)**	883
Changes in working capital:			
(Increase)/decrease in inventories		**(240)**	723
Decrease/(increase) in trade and bills receivables		**10,499**	(13,447)
Decrease/(increase) in prepayments, deposits and other receivables		**9,449**	(8,421)
Decrease in trade and bills payables		**(4,901)**	(2,868)
Increase in accrued expenses and other payables		**780**	5,817
(Increase)/decrease in pledged and restricted bank deposits		**(35,768)**	28,809
Cash generated from operations		**61,581**	139,769
Income tax paid	24(a)	**(25,697)**	(28,034)
Net cash generated from operating activities		**35,884**	111,735
Investing activities			
Payments for purchase of property, plant and equipment and land use rights		**(46,244)**	(21,258)
Proceeds from disposal of property, plant and equipment		**299**	1,459
Net cash outflow on disposal of a subsidiary	30	**(4,143)**	–
Payments for acquisitions of equity investments		**(200)**	(3,500)
Net decrease in advances to a non-controlling equity holder of a subsidiary of the Group		**853**	1,007
Interest received		**1,779**	2,874
Net cash used in investing activities		**(47,656)**	(19,418)

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

The notes on pages 80 to 145 form part of these financial statements.

For the year ended 31 December 2018 (Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Financing activities			
Proceeds from new bank loans	20(b)	275,233	138,000
Repayments of bank loans	20(b)	(138,000)	(190,000)
Proceeds from issuance of shares by initial public offering, net of share issuance expenses		9,425	–
Interest paid	20(b)	(8,895)	(5,474)
Proceeds from disposal of equity interests in subsidiaries without loss of control	13	9,100	–
Proceeds from capital injection by a non-controlling equity holder of a subsidiary of the Group		4,900	4,900
Net decrease/(increase) in amounts due from related parties	20(b)	7,664	(74,140)
Payments of distributions	20(b)	(99,425)	–
Payments of distributions to a non-controlling equity holder of a subsidiary of the Group	20(b)	(2,000)	–
Net cash generated from/(used in) financing activities		58,002	(126,714)
Net increase/(decrease) in cash and cash equivalents		46,230	(34,397)
Cash and cash equivalents at the beginning of the year	20(a)	142,626	177,023
Effect of foreign exchange rate changes		76	–
Cash and cash equivalents at the end of the year	20(a)	188,932	142,626

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

The notes on pages 80 to 145 form part of these financial statements.

1 CORPORATE INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and the Group's interests in joint ventures.

Prior to the incorporation of the Company, the Group's business were conducted through Sino Gas (Zhuhai) Limited ("ZH Petrochemical") and its subsidiaries (together, the "ZH Petrochemical Group") and the ZH Petrochemical Group's interests in joint ventures. Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed on 11 June 2018 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were controlled and beneficially owned by Mr. Ji Guang ("Mr. Ji") before and after the Reorganisation. The Reorganisation only involved inserting the newly formed entities with no substantive operations as the new holding companies of the companies now comprising the Group and there were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the consolidated financial statements for the years ended 31 December 2018 and 2017 have been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other investments in equity securities which are stated at their fair values (see Note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) 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:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

In preparation of the listing of the Company's shares on the Stock Exchange, the Group has early adopted IFRS 15, *Revenue from contracts with customers*, on a fully retrospective basis, and applied IFRS 15 consistently since 1 January 2017. The adoption of IFRS 15 does not have any material impact on the amount and timing of how the Group recognised revenue. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9, including the amendments to IFRS 9, *Prepayment features with negative compensation*, to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, the comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost (Note 26(a))	135
Related tax (Note 24(b))	(34)
Net decrease in retained earnings at 1 January 2018	101

Further details of the nature and effect of the changes to previous accounting policies and the transaction approach are set out below:

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation (Continued)*

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the reclassification of the Group's financial assets under IAS 39 and IFRS 9.

	IAS 39 carrying amount at 31 December 2017	**Reclassification**	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	RMB'000	RMB'000
Financial assets measured at FVPL			
Equity securities not held for trading	–	13,500	13,500
Financial assets classified as available-for-sale under IAS 39			
Equity securities not held for trading	13,500	(13,500)	–

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in Notes 2(f), 2(i), 2(j)(i), 2(l) and 2(m).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see Note 2(j)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation (Continued)*

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables), contract assets, lease receivables and financial guarantee contracts issued.

For further details on the Group's accounting policy for accounting for credit losses, see Notes 2(j)(i) and 2(j)(ii).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018 on trade receivables	135
Loss allowance at 1 January 2018 under IFRS 9	135

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings at 1 January 2018. Accordingly, the information presented for the year ended 31 December 2017 or at 31 December 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The assessment on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity interests in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative equity interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(iii)), unless the investment is classified as held-for-sale.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(iii)).

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. In limited circumstance, cost may be used as an approximation of the fair value if the most recent available information is not sufficient to determine fair value or there is a wide range of possible fair value measurements and costs represents the best estimate of fair value within that range. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(s)(iii).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in equity securities *(Continued)*

(B) Policy applicable prior to 1 January 2018

Investments which did not fall into the categories of financial assets measured at FVPL and held-to-maturity securities were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(j)(i)). Dividend income from equity investments were recognised in profit or loss in accordance with the policy set out in Note 2(s)(iii). When the investments were derecognised or impaired (see Note 2(j)(i) — Policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 2(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
— Buildings and properties	10–20 years
— Refuelling equipment	3–18 years
— Motor vehicles and other equipment	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Payments made on the acquisition of land held under an operating lease are stated at cost less accumulated amortisation and impairment losses (see Note 2(j)(iii)). Amortisation is charged to profit or loss on a straight-line basis over the period of the lease term.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables), contract assets and lease receivables. Equity securities measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls for trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material; and lease receivables are discounted at the discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of trade and other receivables and other financial assets carried at amortised cost was considered doubtful but not remote, the associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

(B) Policy applicable prior to 1 January 2018 (Continued)

— For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised using the effective interest method in profit or loss over the term of the guarantee as income from financial guarantees issued (see Note 2(s)(vi)).

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(j)(i) apply.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(ii) Credit losses from financial guarantees issued *(Continued)*

(A) Policy applicable from 1 January 2018 (Continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— interests in joint ventures; and

— investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(iii) Impairment of other non-current assets *(Continued)*

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories and other contract costs *(Continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(k)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(s).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(i)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(i)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(j)(i).

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(j)(ii), trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of LPG, CNG and LNG

The Group is principally engaged in the retail and wholesale of LPG, CNG and LNG.

Revenue of LPG, CNG and LNG transferred at a point in time is recognised when goods are delivered at gas refuelling stations operated by the Group or premises which are determined by customers which is taken to be the point in time when the Group transfers control over the products to the customers.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted equity investments is recognised when the equity holder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue and other income *(Continued)*

(vi) Income from financial guarantee issued

Income from financial guarantees issued is recognised over the term of the guarantees (see Note 2(j)(ii)).

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 26 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current 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-current assets as described in Note 2(j)(iii). These assets are tested for impairment periodically 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 judgement 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.

(b) Depreciation

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.

(c) Expected credit losses for trade receivables

The credit loss allowances for trade receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of LPG, CNG and LNG. Further details regarding the Group's principal activities are disclosed in Note 4(b).

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

Revenue from contracts with customers within the scope of IFRS 15	2018 RMB'000	2017 RMB'000
Disaggregated by major products:		
— LPG	976,395	895,935
— CNG	212,784	193,980
— LNG and others	30,832	5,424
	1,220,011	1,095,339

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Note 4(b).

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2018. There is one customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2017 and the Group's revenue from sales of CNG to this customer amounted to approximately RMB122,864,000. Details of concentration of credit risks of the Group are set out in Note 26(a).

(b) Segment reporting

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

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

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

4 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 years ended 31 December 2018 and 2017 is set out below.

	Retail		Wholesale		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue recognised at a point in time from external customers and reportable segment revenue	**482,655**	525,645	**737,356**	569,694	**1,220,011**	1,095,339
Reportable segment gross profit	**170,987**	204,464	**10,173**	11,195	**181,160**	215,659

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

	2018 RMB'000	2017 RMB'000
Total reportable segment gross profit	**181,160**	215,659
Other income	**7,556**	9,138
Staff costs	**(43,502)**	(48,645)
Depreciation and amortisation	**(13,316)**	(13,178)
Operating lease charges	**(17,138)**	(15,100)
Other operating expenses	**(44,422)**	(27,894)
Finance costs	**(8,895)**	(5,474)
Share of profits/(losses) of joint ventures	**66**	(883)
Consolidated profit before taxation	**61,509**	113,623

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Geographic information

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

5 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Government grants	**1,620**	3,736
Interest income	**1,779**	2,874
Rental income from operating leases	**2,422**	1,390
Net gain on disposal of property, plant and equipment	**113**	1,128
Net foreign exchange gain/(loss)	**68**	(271)
Consultancy service income	**943**	–
Others	**611**	281
	7,556	9,138

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	2018 RMB'000	2017 RMB'000
Interest on bank loans	**8,895**	5,474

No borrowing costs have been capitalised during the year ended 31 December 2018 (2017: RMBNil).

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs:

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**41,088**	45,481
Contributions to defined contribution retirement plans	**2,414**	3,164
	43,502	48,645

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 18% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

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

(c) Other items:

	2018 RMB'000	2017 RMB'000
Depreciation and amortisation (Notes 11 and 12)	**13,316**	13,178
Operating lease charges in respect of buildings and properties, and land use rights	**17,138**	15,100
Auditors' remuneration:		
— annual audit services	**1,634**	219
— services in connection with the initial listing of the Company's shares	**2,153**	–
Impairment losses on trade receivables (Note 26(a))	**24**	–
Cost of inventories (Note 16(b))	**1,038,851**	879,680

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018 RMB'000	2017 RMB'000
Current tax (Note 24(a))		
Provision for PRC Corporate Income Tax for the year	**21,101**	26,629
Deferred tax (Note 24(b))		
Origination and reversal of temporary differences	**(618)**	2,752
	20,483	29,381

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**61,509**	113,623
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	**16,208**	28,406
Tax effect of share of (profits)/losses of joint ventures	**(17)**	221
Tax effect of non-deductible expenses	**2,228**	416
Tax effect of tax losses not recognised	**2,064**	338
Actual tax expense	**20,483**	29,381

Notes:

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

(ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2018 (2017: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2018 (2017: RMBNil).

(iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the year ended 31 December 2018 (2017: 25%).

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Ji Guang	–	976	–	6	982
Ms. Ji Ling	–	231	–	6	237
Ms. Cui Meijian	–	306	–	6	312
Mr. Zhou Feng	–	228	–	6	234
Independent non-executive directors					
Mr. Sheng Yuhong	9	–	–	–	9
Mr. Wang Zhonghua	9	–	–	–	9
Dr. Zheng Jianpeng	9	–	–	–	9
	27	1,741	–	24	1,792

	2017				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Ji Guang	–	978	–	5	983
Ms. Ji Ling	–	185	108	5	298
Ms. Cui Meijian	–	282	350	5	637
Mr. Zhou Feng	–	166	150	5	321
	–	1,611	608	20	2,239

On 11 June 2018, Mr. Ji Guang, Ms. Ji Ling, Ms. Cui Meijian and Mr. Zhou Feng were redesignated as executive directors of the Company.

On 22 November 2018, Mr. Sheng Yuhong, Mr. Wang Zhonghua and Dr. Zheng Jianpeng were appointed as independent non-executive directors of the Company.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: two) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	882	683
Discretionary bonuses	–	1,000
Retirement scheme contributions	22	22
	904	1,705

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2018 Number of individuals	2017 Number of individuals
Hong Kong dollars ("HK$") Nil to HK$1,000,000	3	3

10 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB37,634,000 and the weighted average of 162,592,000 ordinary shares, comprising:

(i) 10,000 ordinary shares in issue as at the date of the prospectus of the Company dated 14 December 2018 (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 year ended 31 December 2018; and

(ii) 54,000,000 ordinary shares issued on 28 December 2018 by initial public offering.

(Expressed in RMB unless otherwise indicated)

10 EARNINGS PER SHARE *(Continued)*

(a) Basic earnings per share *(Continued)*

The basic earnings per share for the year ended 31 December 2017 is calculated based on the profit attributable to equity shareholders of the Company of RMB82,250,000 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 year ended 31 December 2017.

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Issued ordinary shares at 1 January	**–**	–
Issuance of share upon incorporation of the Company (Note 25(c)(ii))	**1**	1
Issuance of shares prior to the initial listing of the Company's shares (Note 25(c)(ii))	**9,999**	9,999
Effect of capitalisation issue on the completion of the initial public offering (Note 25(c)(iii))	**161,990,000**	161,990,000
Effect of shares issued by initial public offering (Note 25(c)(iv))	**592,000**	–
Weighted average number of ordinary shares at 31 December	**162,592,000**	162,000,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings and properties RMB'000	Refuelling equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2017	43,117	80,708	65,353	22,081	211,259
Additions	415	2,565	3,511	16,220	22,711
Transfer in/(out)	4,567	6,292	–	(10,859)	–
Disposals	–	–	(2,626)	–	(2,626)
At 31 December 2017	48,099	89,565	66,238	27,442	231,344
Accumulated depreciation:					
At 1 January 2017	9,367	41,833	42,884	–	94,084
Charge for the year	2,088	5,278	5,169	–	12,535
Written back on disposals	–	–	(2,295)	–	(2,295)
At 31 December 2017	11,455	47,111	45,758	–	104,324
Carrying amount:					
At 31 December 2017	36,644	42,454	20,480	27,442	127,020
Cost:					
At 1 January 2018	**48,099**	**89,565**	**66,238**	**27,442**	**231,344**
Additions	**26**	**2,340**	**9,773**	**30,071**	**42,210**
Transfer in/(out)	**2,217**	**–**	**–**	**(2,217)**	**–**
Disposals	**–**	**(168)**	**(2,218)**	**–**	**(2,386)**
At 31 December 2018	**50,342**	**91,737**	**73,793**	**55,296**	**271,168**
Accumulated depreciation:					
At 1 January 2018	**11,455**	**47,111**	**45,758**	**–**	**104,324**
Charge for the year	**2,462**	**5,744**	**4,428**	**–**	**12,634**
Written back on disposals	**–**	**(106)**	**(2,094)**	**–**	**(2,200)**
At 31 December 2018	**13,917**	**52,749**	**48,092**	**–**	**114,758**
Carrying amount:					
At 31 December 2018	**36,425**	**38,988**	**25,701**	**55,296**	**156,410**

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(i) At 31 December 2018, property certificates of certain properties with carrying amounts of RMB1,054,000 (2017: RMB1,134,000), are yet to be obtained. At 31 December 2018, the Group is in the process of applying for the ownership certificates for these properties. Mr. Ji, the ultimate controlling party of the Company, has undertaken to procure the obtaining of the title documents for the abovementioned properties. If title documents could not be obtained, Mr. Ji agreed to indemnify the Group for all the losses and damages arising therefrom.

(ii) The Group leases out a number of items of properties and equipment under operating leases. The leases typically run for an initial period of 15 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**2,979**	1,389
After 1 year but within 5 years	**12,306**	5,695
After 5 years	**1,173**	1,459
	16,458	8,543

12 LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**18,198**	18,068
Additions	**4,871**	130
At 31 December	**23,069**	18,198
Accumulated amortisation:		
At 1 January	**7,014**	6,371
Charge for the year	**682**	643
At 31 December	**7,696**	7,014
Carrying amount:		
At 31 December	**15,373**	11,184

Lease prepayments represent land use right premiums paid by the Group for land located in the PRC. These land use rights are with lease periods of 20 to 50 years.

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Company name	Place and date of establishment/ incorporation	Place of Operation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Zhengzhou Sino Gas Bus Fuel Company Limited ("Zhengzhou Sino Gas") (鄭州中油潔能巴士(燃氣)有限公司)*	The PRC 14 March 2005	The PRC	RMB30,000,000	60%	–	60%	Sale of CNG to vehicular end-users by operating refuelling stations
Guangzhou Sino Gas Fuel Chain Company Limited (廣州中油潔能燃氣連鎖有限公司)*	The PRC 19 April 2005	The PRC	RMB20,000,000	100%	–	100%	Sale of LPG to vehicular end-users by operating refuelling stations
ZH Petrochemical (中油潔能(珠海)石化有限公司)**	The PRC 14 September 2005	The PRC	HK$38,000,000	100%	–	100%	Investment holding
Zhuhai Sino Gas Dangerous Goods Transportation Company Limited (珠海中油潔能危險品運輸有限公司)*	The PRC 14 December 2006	The PRC	RMB10,000,000	100%	–	100%	Fuel transportation
Xinzheng Yonghui Natural Gas Company Limited (新鄭永輝天然氣有限公司)*	The PRC 1 February 2007	The PRC	HK$12,000,000	100%	–	100%	Sale of CNG to vehicular end-users by operating refuelling stations and wholesale of CNG
Ganzhou Sino Gas LPG Company Limited ("Ganzhou Gas") (贛州中油潔能石油液化氣有限公司)*	The PRC 23 May 2008	The PRC	RMB10,000,000	30%****	–	30%****	Wholesale and retail of LPG
Jiangxi Sino Gas Logistics Company Limited ("JX Logistics") (江西中油潔能物流有限公司)*	The PRC 15 October 2008	The PRC	RMB3,000,000	30%****	–	30%****	Fuel transportation
Henan Sino Gas Sales and Transportation Company Limited (河南中油潔能銷售運輸有限公司)*	The PRC 17 December 2010	The PRC	RMB12,000,000	100%	–	100%	Fuel transportation
Zhuhai Hengqin Xinqu Sino Gas Fuel Company Limited (珠海橫琴新區中油潔能燃氣有限公司)*	The PRC 9 May 2012	The PRC	RMB5,000,000	100%	–	100%	Investment holding
Guangzhou Sino Gas Logistics Company Limited (廣州中油潔能物流有限公司)*	The PRC 23 January 2013	The PRC	RMB10,000,000	100%	–	100%	Fuel transportation
Guangdong Sino Gas Investment Company Limited (廣東中油潔能投資有限公司)*	The PRC 2 May 2013	The PRC	RMB100,000,000 and RMB10,000,000	100%	–	100%	Investment holding
Guangzhou Sino Gas New Energy Company Limited (廣州中油潔能新能源有限公司)*	The PRC 2 August 2013	The PRC	RMB10,000,000	100%	–	100%	Sale of LNG to vehicular end-users by operating refuelling stations

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place and date of establishment/ incorporation	Place of Operation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Henan Sino Gas Yonghui Natural Gas Company Limited (河南中油潔能永輝天然氣有限公司)*	The PRC 23 September 2013	The PRC	RMB10,000,000	100%	–	100%	Wholesale of CNG and LNG
Henan Sino Gas Fuel Company Limited (河南中油潔能燃氣有限公司)*	The PRC 13 November 2013	The PRC	RMB10,000,000	100%	–	100%	Wholesale of CNG and LNG
Sino Gas New Energy Investment Limited (中油新能源投資股份有限公司)***	Hong Kong 23 January 2014	Hong Kong	10,000 shares	100%	–	100%	Investment holding
Guangdong Sino Gas Petrochemical Company Limited (廣東中油潔能石化有限公司)*	The PRC 28 March 2014	The PRC	RMB20,000,000	100%	–	100%	Wholesale of LPG
Guangzhou Sino Gas Jiahexing Petrochemical Company Limited ("GZ Jiahexing") (廣州中油潔能嘉和興石化有限公司)*	The PRC 26 May 2014	The PRC	RMB10,000,000	51%	–	51%	Wholesale of LPG
Sino Gas Investment Group Company Limited (中油投資集團有限公司)***	Hong Kong 24 March 2015	Hong Kong	10,000 shares	100%	–	100%	Investment holding
Zhengzhou Transport Investment Sino Gas Fuel Company Limited ("Zhengzhou Fuel") (鄭州交投中油潔能燃氣有限公司)*	The PRC 3 June 2015	The PRC	RMB100,000,000 and RMB40,000,000	51%	–	51%	Sale of CNG to vehicular end-users by operating refuelling stations
Guangzhou Sino Gas Natural Gas Company Limited (廣州中油潔能天然氣有限公司)*	The PRC 7 April 2016	The PRC	RMB20,000,000 and RMBNil	100%	–	100%	Sale of natural gas
Perfect Wise Asia Limited (致慧亞洲有限公司)***	The BVI 18 April 2017	The BVI	1 share of United States Dollar ("US$") 1	100%	–	100%	Investment holding
Sino Gas Energy Group Limited (中油潔能能源集團有限公司)***	The BVI 24 April 2018	The BVI	100 shares of US$1 each	100%	100%	–	Investment holding
Sino Gas Investments Holdings Group Limited (中油潔能投資控股集團有限公司)***	Hong Kong 17 May 2018	Hong Kong	1 share	100%	–	100%	Investment holding
Guangzhou Sino Gas Fuel Sales Company Limited (廣州中油潔能燃氣銷售有限公司)*	The PRC 27 July 2018	The PRC	RMB10,000,000 and RMBNil	100%	–	100%	Sale of LPG

Notes:

* The official names of these entities are in Chinese. The English translations are for identification purpose only. These companies are limited liability companies established in the PRC.

** The official name of this entity is in Chinese. The English translation is for identification purpose only. This company is registered as a wholly foreign-owned enterprise under the PRC Law.

*** These companies are limited liability companies incorporated outside of the PRC.

**** The Group's effective interests in these entities were changed from 100% to 30% during the year ended 31 December 2018. As at 31 December 2018, the Group controls these entities through its power over the board of directors.

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to subsidiaries of the Group with material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2018	2017
NCI percentage:		
— Zhengzhou Fuel	**49%**	49%
— Zhengzhou Sino Gas	**40%**	40%
— GZ Jiahexing	**49%**	49%
— Ganzhou Gas (Note (i))	**70%**	0%
— JX Logistics (Note (i))	**70%**	0%

	2018 RMB'000	2017 RMB'000
Non-current assets		
— Zhengzhou Fuel	**17,939**	8,917
— Zhengzhou Sino Gas	**32,739**	35,295
— Others	**5,443**	16
	56,121	44,228
Current assets		
— Zhengzhou Fuel	**18,581**	17,665
— Zhengzhou Sino Gas	**44,337**	40,374
— Others	**9,665**	6,761
	72,583	64,800
Current liabilities		
— Zhengzhou Fuel	**(1,597)**	(152)
— Zhengzhou Sino Gas	**(47,815)**	(52,135)
— Others	**(1,592)**	(3,437)
	(51,004)	(55,724)
Net assets		
— Zhengzhou Fuel	**34,923**	26,430
— Zhengzhou Sino Gas	**29,261**	23,534
— Others	**13,516**	3,340
	77,700	53,304

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

	2018 RMB'000	2017 RMB'000
Net assets attributable to NCI		
— Zhengzhou Fuel	17,113	12,951
— Zhengzhou Sino Gas	11,704	9,413
— Others	9,107	1,636
	37,924	24,000
Revenue		
— Zhengzhou Fuel	3,493	–
— Zhengzhou Sino Gas	175,022	190,496
— Others	79,668	3,248
	258,183	193,744
Profit/(loss) and total comprehensive income for the year		
— Zhengzhou Fuel	(1,507)	(1,778)
— Zhengzhou Sino Gas	10,727	7,967
— Others	572	(659)
	9,792	5,530
Profit/(loss) and total comprehensive income attributable to NCI		
— Zhengzhou Fuel	(738)	(871)
— Zhengzhou Sino Gas	4,291	3,186
— Others	(161)	(323)
	3,392	1,992

Note:

(i) In June 2018, the Group disposed of its 70% equity interests in Ganzhou Gas and JX Logistics to third parties for a total consideration of RMB9,100,000. The Group's effective interests in these entities were changed from 100% to 30% upon the completion of the disposals and the Group remains its control over these entities through its power over the respective companies' board of directors.

14 INTERESTS IN JOINT VENTURES

Details of the Group's interests in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of establishment and business	Particulars of registered and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Jiangmen Xinjiang Gas Company Limited ("JM Xinjiang Gas") (江門市新江煤氣有限公司)*	The PRC	RMB119,600,000	50%	–	50%	Wholesale of LPG
Henan Blue Sky Sinopetroleum Clean Energy Science & Technology Company Limited ("Henan Blue Sky") (河南藍天中油潔能科技有限公司)*	The PRC	RMB20,000,000	50%	–	50%	Sale of CNG to vehicular end-users by operating refuelling stations

* The official names of these entities are in Chinese. The English translations are for identification purpose only.

The Group's joint ventures are unlisted entities.

Summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

	JM Xinjiang Gas		Henan Blue Sky	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Gross amounts				
Non-current assets	**29,713**	30,041	**18,434**	7,181
Current assets	**51,499**	22,542	**25,389**	38,198
Current liabilities	**(21,254)**	(15,241)	**(6,547)**	(8,649)
Non-current liabilities	**(22,880)**	–	**(150)**	–
Net assets	**37,078**	37,342	**37,126**	36,730
Reconciled to the Group's interests in joint ventures				
Gross amounts of net assets	**37,078**	37,342	**37,126**	36,730
The Group's effective interest	**50%**	50%	**50%**	50%
The Group's share of net assets	**18,539**	18,671	**18,563**	18,365
Elimination of unrealised loss relating to a financial guarantee issued by the Group	**715**	–	**–**	–
Carrying amounts in the consolidated statement of financial position	**19,254**	18,671	**18,563**	18,365

14 INTERESTS IN JOINT VENTURES *(Continued)*

	JM Xinjiang Gas		Henan Blue Sky	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Gross amounts				
Revenue	**245,360**	187,339	**34,791**	37,546
(Loss)/profit for the year	**(264)**	(1,189)	**396**	(577)
Reconciled to the Group's interests in joint ventures				
Gross amounts of (loss)/profit for the year	**(264)**	(1,189)	**396**	(577)
The Group's effective interest	**50%**	50%	**50%**	50%
The Group's share of (loss)/profit	**(132)**	(595)	**198**	(288)

15 OTHER FINANCIAL ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Financial assets measured at FVPL			
— Unlisted equity securities	**13,700**	13,500	–
Available-for-sale financial assets			
— Unlisted equity securities	**–**	–	13,500
	13,700	13,500	13,500

Notes:

(i) Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the initial application of IFRS 9 at 1 January 2018.

(ii) At 31 December 2017, the unlisted equity securities are recognised in the consolidated statement of financial position at cost less impairment losses, if any, as these investments do not have quoted prices in an active market for identical instruments and whose fair value cannot be reliably measured.

At 31 December 2018, 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.

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 RMB'000	2017 RMB'000
Gases	**1,768**	1,901
Spare parts	**2,159**	1,786
	3,927	3,687

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**1,038,851**	879,680

17 TRADE AND BILLS RECEIVABLES

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Trade receivables due from:			
— third parties	**66,658**	69,658	69,658
— related parties	**17,597**	9,902	9,902
	84,255	79,560	79,560
Less: loss allowance (Note 26(a))	**(159)**	(135)	–
	84,096	79,425	79,560
Bills receivables	**–**	15,170	15,170
Financial assets measured at amortised cost	**84,096**	94,595	94,730

Notes:

(i) Upon the adoption of IFRS 9, an opening adjustment at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(c)(i)).

(ii) All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.

17 TRADE AND BILLS 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 loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	**59,335**	66,160
1 to 3 months	**24,761**	28,570
	84,096	94,730

Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 26(a).

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Proceeds receivable from the Company's initial public offering (Note (ii))	**113,827**	–
Value added tax recoverable	**8,387**	4,569
Advances to a non-controlling equity holder of a subsidiary of the Group	**–**	853
Advances to staff	**2,827**	1,920
Deposits for operating expenses	**1,536**	1,648
Others	**6,523**	10,108
Financial assets measured at amortised cost	**133,100**	19,098
Less: loss allowance	**(8,208)**	(8,208)
	124,892	10,890
Prepayments for purchase of inventories	**40,372**	50,849
	165,264	61,739

Notes:

(i) All of the prepayments, deposits and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.

(ii) 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.

19 AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties were unsecured, non-interest bearing and had no fixed terms of repayment.

20 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	**188,932**	142,626
Pledged and restricted bank deposits (Note (i))	**50,643**	14,875
Cash at bank and on hand in the consolidated statement of financial position	**239,575**	157,501
Less: pledged and restricted bank deposits	**(50,643)**	(14,875)
Cash and cash equivalents in the consolidated cash flow statement	**188,932**	142,626

Notes:

(i) Included in pledged and restricted bank deposits, RMB33,800,000 (2017: RMBNil) was pledged as securities for the Group's bank loans (see Note 21) at 31 December 2018. The remaining pledged and restricted bank deposits of RMB16,843,000 (2017: RMB14,875,500) were pledged as securities for bank acceptance notes issued by the Group (see Note 22) 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.

20 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's assets and liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Liabilities			Assets	
	Bank loans RMB'000 (Note 21)	Interest payable RMB'000	Distributions payable RMB'000	Amounts due from related parties RMB'000 (Note 19)	Net RMB'000
At 1 January 2017	190,000	–	–	(4,956)	185,044
Changes from financing cash flows:					
Proceeds from new bank loans	138,000	–	–	–	138,000
Repayments of bank loans	(190,000)	–	–	–	(190,000)
Net increase in amounts due from related parties	–	–	–	(74,140)	(74,140)
Interest paid	–	(5,474)	–	–	(5,474)
Total changes from financing cash flows	(52,000)	(5,474)	–	(74,140)	(131,614)
Other changes:					
Finance costs (Note 6(a))	–	5,474	–	–	5,474
At 31 December 2017	138,000	–	–	(79,096)	58,904
At 1 January 2018	138,000	–	–	(79,096)	58,904
Changes from financing cash flows:					
Proceeds from new bank loans	275,233	–	–	–	275,233
Repayments of bank loans	(138,000)	–	–	–	(138,000)
Net decrease in amounts due from related parties	–	–	–	7,664	7,664
Payments of distributions	–	–	(99,425)	–	(99,425)
Payments of distributions to non-controlling equity holders of a subsidiary	–	–	(2,000)	–	(2,000)
Interest paid	–	(8,895)	–	–	(8,895)
Total changes from financing cash flows	137,233	(8,895)	(101,425)	7,664	34,577
Other changes:					
Finance costs (Note 6(a))	–	8,895	–	–	8,895
Decrease through disposal of a subsidiary (Note 30)	–	–	–	(4,143)	(4,143)
Distributions (Note 25(b))	–	–	175,000	–	175,000
Distributions to non-controlling equity holders of a subsidiary	–	–	2,000	–	2,000
Non-cash transaction (Note (i))	–	–	(75,575)	75,575	–
	–	8,895	101,425	71,432	181,752
At 31 December 2018	275,233	–	–	–	275,233

20 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(Continued)

Note:

(i) The amounts due from related parties were partially set-off by profit distributions made by a subsidiary of the Group (Note 25(b)(ii)) during the year ended 31 December 2018.

21 BANK LOANS

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

	2018 RMB'000	2017 RMB'000
Unsecured and unguaranteed	146,000	138,000
Secured by bank deposits of the Group (Note 20(a)(i))	129,233	–
	275,233	138,000

(b) Some of the Group's banking facilities are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 26(b). As at 31 December 2018, none (2017: none) of the covenants relating to the drawn down facilities had been breached.

22 TRADE AND BILLS PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	679	806
Bills payables	35,500	40,274
Financial liabilities measured at amortised cost	36,179	41,080

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

22 TRADE AND BILLS PAYABLES *(Continued)*

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:

	2018 RMB'000	2017 RMB'000
Within 1 month	35,874	40,424
1 to 3 months	305	656
	36,179	41,080

23 ACCRUED EXPENSES AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Accrued transportation expenses	18,125	15,000
Payables for expenditures incurred in connection with the initial listing of the Company's shares	6,862	–
Payables for purchase and construction of property, plant and equipment	4,584	3,747
Payables for staff related costs	2,912	10,061
Other taxes payable	1,694	2,748
Others	6,209	4,609
Financial liabilities measured at amortised cost	40,386	36,165
Contract liabilities — receipts in advance from customers	8,100	10,574
Financial guarantee issued	585	–
Financial liabilities measured at amortised cost	49,071	46,739

At 31 December 2018, the amount of financial guarantee issued, which is expected to be recognised as other income after more than one year, is RMB325,000 (2017: RMBNil). 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.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2018 RMB'000	2017 RMB'000
Income tax payable at 1 January	**7,625**	9,030
Provision for the year (Note 7(a))	**21,101**	26,629
Income tax paid	**(25,697)**	(28,034)
Income tax payable at 31 December	**3,029**	7,625

(b) Deferred tax assets recognised:

The deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets arising from:	**Credit loss allowance** RMB'000	**Impairment loss on interest in a joint venture** RMB'000	**Unused tax losses** RMB'000	**Total** RMB'000
At 1 January 2017	2,052	2,904	2,898	7,854
Charged to the consolidated statement of profit or loss (Note 7(a))	–	–	(2,752)	(2,752)
At 31 December 2017	2,052	2,904	146	5,102
Impact on initial application of IFRS 9 (Note 2(c)(i))	34	–	–	34
Adjusted balance at 1 January 2018	**2,086**	**2,904**	**146**	**5,136**
Credited to the consolidated statement of profit or loss (Note 7(a))	**6**	**–**	**612**	**618**
At 31 December 2018	**2,092**	**2,904**	**758**	**5,754**

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB52,933,000 at 31 December 2018 (2017: RMB44,677,000), as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant subsidiaries. The tax losses expire within the next five years.

(d) Deferred tax liabilities not recognised

At 31 December 2018, taxable temporary differences relating to the undistributed profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMB213,700,000 (2017: RMB147,687,000), where deferred tax liabilities in respect of the PRC Withholding Tax that would be payable on the distributions of these profits, have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the period are set out below.

	Share capital RMB'000 (Note 25(c))	Share premium RMB'000 (Note 25(d)(i))	Exchange reserve RMB'000 (Note 25(d)(iv))	Accumulated losses RMB'000	Total RMB'000
Balance at 26 March 2018 (date of incorporation)	–	–	–	–	–
Changes in equity for the period from 26 March 2018 (date of incorporation) to 31 December 2018:					
Loss for the period	–	–	–	(2,511)	(2,511)
Other comprehensive income	–	–	1,047	–	1,047
Total comprehensive income	–	–	1,047	(2,511)	(1,464)
Issuance of shares (Note 25(c)(ii))	–	52,000	–	–	52,000
Capitalisation issue (Note 25(c)(iii))	1,419	(1,419)	–	–	–
Issuance of shares by initial public offering (Note 25(c)(iv))	473	122,779	–	–	123,252
	1,892	173,360	–	–	175,252
Balance at 31 December 2018	1,892	173,360	1,047	(2,511)	173,788

(b) Dividends/distributions

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018.

25 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS *(Continued)*

(b) Dividends/distributions *(Continued)*

(ii) Distributions made in the previous financial year

ZH Petrochemical, a subsidiary of the Group, made distributions amounted to RMB175,000,000 to China Full Limited ("China Full"), the then equity holder of ZH Petrochemical during the year ended 31 December 2018.

(c) Share capital

	2018	
	No. of shares '000	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each (Note (i))	2,000,000	20,000

	2018	
	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:		
As 26 March 2018 (date of incorporation)	–	–
Issuance of shares (Note 25(c)(ii))	10	–
Capitalisation issue (Note 25(c)(iii))	161,990	1,419
Issuance of shares by initial public offering (Note 25(c)(iv))	54,000	473
	216,000	1,892

(i) Authorised share capital

On 26 March 2018, the Company's date of incorporation, the Company's authorised share capital was HK$380,000, comprising 38,000,000 ordinary shares of HK$0.01 each.

On 22 November 2018, the Company passed resolutions to increase the authorised share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

25 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS *(Continued)*

(c) Share capital *(Continued)*

(ii) Issuance of shares

On 26 March 2018, one share in the Company was allotted and issued, credited as fully paid up.

On 11 June 2018, 9,999 shares of HK$0.01 each were allotted and issued by the Company for an aggregate subscription price of RMB52,000,000, credited as fully paid.

(iii) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 22 November 2018, the Company allotted and issued a total of 161,990,000 shares credited as fully to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 22 November 2018 by way of capitalisation of the sum of HK$1,620,000 (equivalent to approximately RMB1,419,000) standing to the credit of the share premium account of the Company.

(iv) Issuance of shares by initial public offering

On 28 December 2018, 54,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$2.80 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK$540,000 (equivalent to approximately RMB473,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of approximately HK$140,159,000 (equivalent to approximately RMB122,779,000) were credited to the share premium account.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(ii) Other reserve

The balance of other reserve at 1 January 2017 and 31 December 2017 represented the paid-in capital of ZH Petrochemical.

Pursuant to the Reorganisation completed on 11 June 2018, the Company became the holding company of the companies now comprising the Group and accordingly, the paid-in capital of ZH Petrochemical was eliminated against the consideration of RMB52,000,000 when preparing the consolidated financial statements since that date.

25 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established in the PRC (excluding Hong Kong) are required to transfer 10% of their net profits to the statutory reserve until the reserve balance reaches 50% of the respective subsidiary's registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in liquidation.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(t).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the economic conditions.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest and currency rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, contract assets and lease receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in Note 28(b), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of the financial guarantee is disclosed in Note 28(b).

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 21% (2017: 10%) and 79% (2017: 50%) of the trade receivables were due from the Group's largest debtor and the five largest debtors respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables, contract assets and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2018:

	Expected loss rate %	**Gross carrying amount** RMB'000	**Loss allowance** RMB'000
Within 1 month	0.1%	59,394	(59)
1 to 3 months	0.4%	24,861	(100)
		84,255	(159)

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(j)(i) — Policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMBNil were determined to be impaired. The ageing analysis of trade receivables that were not considered to be impaired were as follows:

	2017 RMB'000
Within 1 month	61,400
1 to 3 months	18,160
	79,560

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Movements in the loss allowance account in respect of trade receivables are as follows:

	2018 RMB'000
Balance at 31 December 2017 under IAS 39	–
Impact on initial application at IFRS 9 (Note 2(c)(i))	135
Adjusted balance at 1 January 2018	135
Impairment loss recognised in profit or loss during the year (Note 6(c))	24
Balance at 31 December 2018	159

Other receivables

The Group has assessed that the ECLs for other receivables under the 12 months expected losses method are not materially different from those already recognised. Thus no additional loss allowance was recognised at 1 January 2018 and 31 December 2018.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2018		2017	
	Contractual undiscounted cash outflow within 1 year or on demand RMB'000	**Carrying amount RMB'000**	Contractual undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount RMB'000
Bank loans	**282,873**	**275,233**	142,892	138,000
Trade and bills payables measured at amortised cost	**36,179**	**36,179**	41,080	41,080
Accrued expenses and other payables measured at amortised cost	**40,386**	**40,386**	36,165	36,165
	359,438	**351,798**	220,137	215,245
Financial guarantees issued: Maximum amount guaranteed (Note 28(b))	**22,880**	**585**	–	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2018 Effective interest rate %	2018 RMB'000	2017 Effective interest rate %	2017 RMB'000
Fixed rate borrowings				
Bank loans	3.65%–5.87%	235,233	4.79%-6.24%	138,000
Variable rate borrowings				
Bank loans	5.00%–5.22%	40,000		–
Total borrowings		275,233		138,000
Fixed rate borrowings as a percentage of total borrowings		85%		100%

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB300,000 (2017: RMBNil).

The sensitivity analysis above indicate the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at 31 December 2018. The impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2017.

(d) Currency risk

The Group is exposed to currency risk primarily through receivables, payables and cash balances that are denominated in a foreign currency, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily HK$.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB)	
	2018	2017
	HK$	HK$
	RMB'000	RMB'000
Cash at bank and on hand	**–**	3,456
Other payables	**(6,562)**	–
Exposure arising from recognised assets and liabilities	**(6,562)**	3,456

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Exposure to foreign currencies (expressed in RMB)			
	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits
	%	**RMB'000**	%	RMB'000
HK$	**5%**	**(328)**	5%	173
	(5)%	**328**	(5)%	(173)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2017.

(e) Fair value measurement

(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 31 December 2018 RMB'000	Fair value measurements at 31 December 2018 categorised into Level 3 RMB'000
Recurring fair value measurements		
Assets:		
Unlisted equity securities (Note 15)	13,700	13,700

During the year ended 31 December 2018, 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.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets measured at fair value *(Continued)*

Information about Level 3 fair value measurements

At 31 December 2018, 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. The movements during the year ended 31 December 2018 in the balance of the Level 3 fair value measurements are as follows:

	2018 RMB'000
Unlisted equity securities:	
At January	–
Reclassified from available-for-sale financial assets (Note)	13,500
Acquisitions	200
At 31 December	13,700

Note: Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the initial application of IFRS 9 at 1 January 2018.

(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 are not materially different from their fair values at 31 December 2017 and 2018.

27 COMMITMENTS

(a) Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Commitments in respect of property, plant and equipment:		
— Contracted for	**17,550**	20,160

(b) At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**12,249**	18,459
After 1 year but within 5 years	**26,847**	34,168
After 5 years	**28,901**	33,642
	67,997	86,269

The Group leases certain land and buildings under operating leases. The leases typically run for an initial period of 2 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

28 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 31 December 2018, 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 31 December 2018.

(b) A subsidiary of the Group has issued a guarantee in respect of the banking facilities of JM Xinjiang 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 31 December 2018. 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 31 December 2018. 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 31 December 2018.

29 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with related parties

	2018 RMB'000	2017 RMB'000
Sales of goods		
— joint ventures	**230,852**	181,366
Purchases of goods		
— joint ventures	**14,468**	1,422
Provision of transportation services		
— joint ventures	**135**	217
Net (decrease)/increase in amounts due from related parties		
— Mr. Ji	**(74,418)**	73,591
— a joint venture	**(4,678)**	549
Guarantee issued to a bank in respect of bank facilities granted to and utilised by a related party		
— a joint venture (Note 28(b))	**22,880**	–

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**2,650**	3,902
Contributions to defined contribution retirement schemes	**46**	42
	2,696	3,944

Total remuneration is included in "staff costs" in Note 6(b).

30 DISPOSAL OF A SUBSIDIARY

On 1 June 2018, the Group disposed of its equity interests in Guangzhou Zhongxin Energy Company Limited, which was then a wholly owned subsidiary of the Group, to a third party for a consideration of RMB1.

The net assets disposed of as at the disposal date are as follows:

	RMB'000
Cash at bank and on hand	4,143
Amounts due to related parties	(4,143)
Net assets	–
Cash consideration	–
Gain on disposal of a subsidiary	–

Effect of disposal of a subsidiary on the cash flow of the Group is as follows:

	RMB'000
Consideration received	–
Cash and cash equivalents disposed of	(4,143)
Net cash outflow	(4,143)

(Expressed in RMB unless otherwise indicated)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000
Non-current assets		
Investment in a subsidiary	13	53,047
Current assets		
Other receivables		113,827
Cash at bank and on hand		13,058
		126,885
Current liabilities		
Amounts due to a subsidiary		6,144
Net current assets		120,741
NET ASSETS		173,788
CAPITAL AND RESERVES	25	
Share capital		1,892
Reserves		171,896
TOTAL EQUITY		173,788

Approved and authorised for issue by the board of directors on 31 March 2019.

Ji Guang
Chairman

Ji Ling
Director

(Expressed in RMB unless otherwise indicated)

32 COMPARATIVE FIGURES

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

33 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate parent and the ultimate controlling party of the Company at 31 December 2018 to be China Full and Mr. Ji, respectively. China Full does not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these consolidated financial statements.

	Effective for accounting periods beginning on or after
IFRS 16, Leases	I January 2019
IFRIC 23, *Uncertainty over income tax treatments*	I January 2019
Amendments to IAS 28, *Long-term interests in associates and joint ventures*	I January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	I January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transaction options, until the standards are initially applied in that financial report.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(Continued)*

IFRS 16, Leases

As disclosed in Note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment and land use rights which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information.

As disclosed in Note 27(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB67,997,000 for property, plant and equipment and land use rights, the majority of which is payable either between one and five years after the reporting date or in more than five years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	662,428	878,373	1,095,339	**1,220,011**
Profit before tax	71,158	113,452	113,623	**61,509**
Income tax expense	(9,797)	(31,595)	(29,381)	**(20,483)**
Profit for the year	61,361	81,857	84,242	**41,026**
Attributable to:				
Equity shareholders of the Company	60,906	80,813	82,250	**37,634**
Non-controlling interests	455	1,044	1,992	**3,392**
Profit for the year	61,361	81,857	84,242	**41,026**

ASSETS AND LIABILITIES

	As at 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Total assets	448,540	550,326	590,595	**721,916**
Total liabilities	(267,888)	(282,317)	(233,444)	**(363,512)**
Net assets	180,652	268,009	357,151	**358,404**
Attributable to:				
Equity shareholders of the Company	170,088	250,901	333,151	**320,480**
Non-controlling interests	10,564	17,108	24,000	**37,924**
Total equity	180,652	268,009	357,151	**358,404**