

TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8536

SHARE OFFER



Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 125,000,000 Shares
Number of Public Offer Shares : 12,500,000 Shares (subject to reallocation)
Number of Placing Shares : 112,500,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.48 per Offer Share
and expected to be not less than
HK\$0.40 per Offer Share, plus
brokerage of 1%, SFC transaction levy
of 0.0027% and Stock Exchange trading
fee of 0.005% (payable in full on
application in Hong Kong dollars and
subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8536

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "1. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is currently expected to be fixed by an agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Friday, 11 May 2018, or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 16 May 2018, the Share Offer will not become unconditional and will lapse immediately.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information contained in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus.

The Joint Bookrunners, may, with our consent, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.tl-cng.com not later than the morning of the day which is the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please see "Underwriting – Public Offer Underwriting Arrangements and Expenses – The Public Offer Underwriting Agreement – Grounds for termination" in this prospectus for further details.

8 May 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE⁽¹⁾

Our Company will publish an announcement on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.tl-cng.com** if there is any change in the following expected timetable of the Public Offer.

Latest time to complete electronic applications under the

HK eIPO White Form service through

the designated website at **www.hkeipo.hk**⁽²⁾ 11:30 a.m. on Friday, 11 May 2018

Application lists of the Public Offer open⁽³⁾ 11:45 a.m. on Friday, 11 May 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms

and to give electronic application instruction to HKSCC⁽⁴⁾ 12:00 noon on
Friday, 11 May 2018

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s)

or PPS payment transfer(s) 12:00 noon on Friday, 11 May 2018

Application lists of the Public Offer close⁽³⁾ 12:00 noon on Friday, 11 May 2018

Expected Price Determination Date⁽⁵⁾ Friday, 11 May 2018

Announcement of the final Offer Price, the level of

indication of interest in the Placing, the level of applications in

the Public Offer, the basis of allocation of

the Public Offer Shares to be published on the website of our

Company at **www.tl-cng.com** and the website of the Stock Exchange at

www.hkexnews.hk on or before Thursday, 17 May 2018

Results of allocations in the Public Offer (with successful

applicants' identification document numbers, where applicable) to be

available through a variety of channels

(please see "How to Apply for Public Offer Shares –

11. Publication of Results" in this prospectus) from Thursday, 17 May 2018

Results of allocations in the Public Offer will be available

at **www.tricor.com.hk/ipo/result** with a "search by

ID Number/Business Registration Number" function from Thursday, 17 May 2018

Despatch/Collection of share certificates or deposit of

share certificate into CCASS in respect of

wholly or partially successful applications pursuant

to the Public Offer on or before⁽⁵⁾⁽⁶⁾⁽⁷⁾ Thursday, 17 May 2018

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of refund cheques in respect of
wholly or partially successful applications if the Offer Price
is less than the price payable on application (if applicable)
and wholly or partially unsuccessful applications pursuant
to the Public Offer on or before⁽⁵⁾⁽⁷⁾ Thursday, 17 May 2018

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions and
refund cheques in respect of wholly or partially unsuccessful
applications pursuant to the Public Offer on or before⁽⁷⁾⁽⁸⁾ Thursday, 17 May 2018

Dealings in Shares on GEM expected to commence at . . 9:00 a.m. on Friday, 18 May 2018

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 May 2018, the application lists will not open on that day. Please see “How to Apply for Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is scheduled on Friday, 11 May 2018 (or such later date as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 16 May 2018, the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 17 May 2018 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
7. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates(as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 17 May 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

EXPECTED TIMETABLE⁽¹⁾

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Investors may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving banks and the designated offices of the Sole Sponsor as set out in "How to Apply for Public Offer Shares" in this prospectus. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Stock Exchange at **www.hkexnews.hk** under the section headed "HKExnews > Listed Company Information > Latest Listed Company Information" and our Company at **www.tl-cng.com**.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus, respectively.

If the Public Offer does not become unconditional or is terminated in accordance with its terms, the Public Offer will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer.

The contents of our Company's website at www.tl-cng.com do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used herein are defined in “Definitions” and “Glossary of Technical Terms” in this prospectus.

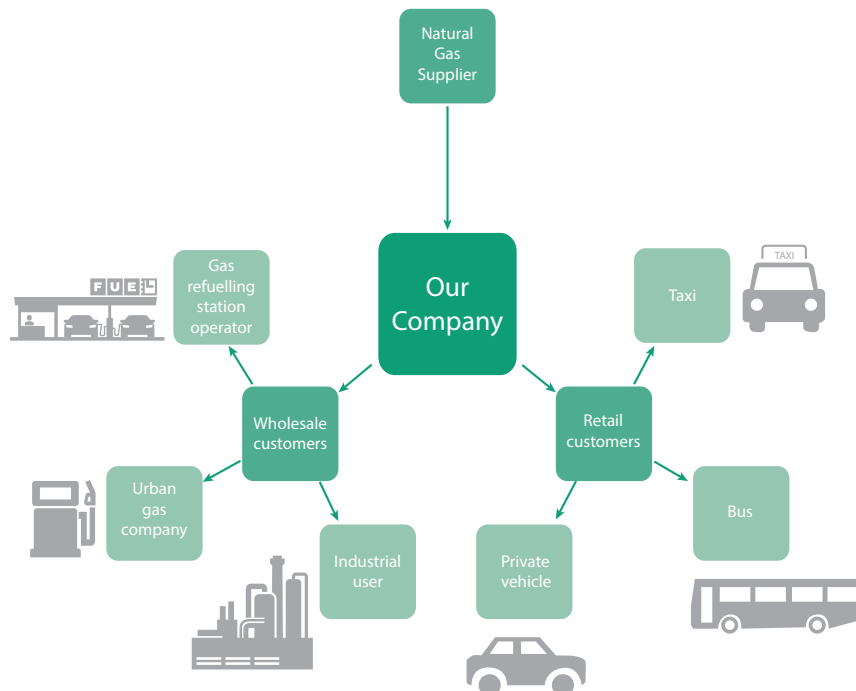
OVERVIEW

We are an established CNG supplier in Jingzhou, Hubei Province. We ranked second with a market share of 12.8% in Jingzhou, Hubei Province, in terms of natural gas sales volume in 2016, according to the F&S Report. Our CNG business could be traced back to 2012 when our primary station in Jingzhou, Hubei Province, was put into commercial operation. We generate our revenue from the distribution of CNG to both retail customers which are mostly vehicular end-users, and wholesale customers which are urban gas companies, gas refuelling station operators and industrial users. Being an established CNG supplier which focuses on the provision of CNG to our customers, we arrange for the transmission of natural gas from PetroChina through our pipelines to our Jingzhou Primary Station, after which we will regulate the pressure of the natural gas, perform drying process and conduct cleansing and odorising of CNG, before such CNG will be supplied to our customers via dispensers at our gas refuelling stations or tanker trucks. As at the Latest Practicable Date, we operated a total of four gas refuelling stations and all of our stations were situated in Jingzhou, Hubei Province. They are all located next to major roads that have high traffic flow and high accessibility.

Our principal product offering is CNG and we procure all our natural gas from PetroChina, a nationwide reputable oil and gas producer in the PRC. We have a long-established relationship with PetroChina which enables us to obtain a reliable, stable and abundant supply of natural gas. During the Track Record Period, PetroChina was our sole supplier of natural gas and we have entered into the Master Supply Agreement, pursuant to which PetroChina agreed to supply us with natural gas for a 25-year term from 2015. For details of the key aspects of the Master Supply Agreement, please see “Business – Our Relationship with PetroChina” in this prospectus.

SUMMARY

OUR BUSINESS MODEL



We generated our revenue primarily from the distribution of natural gas in the form of CNG to retail vehicular end-users and wholesale customers. For FY2015, FY2016 and FY2017, we generated revenue of approximately RMB84.0 million, RMB63.7 million and RMB65.7 million, respectively. Majority of our retail customers are drivers of public transportation vehicles, such as taxis and buses, whereas majority of our wholesale customers are urban gas companies, gas refuelling station operators and industrial users. In order to strengthen our customer base and cultivate customers' loyalty, we have rolled out a new customer loyalty programme as at the Latest Practicable Date whereby our retail customers will enjoy a discount upon their eligible spending at our gas refuelling stations if they make payment using electronic peer-to-peer money transfer through third party online service provider.

Natural gas, which is widely recognised as a more economical, efficient and clean energy source, has been strongly and actively promoted by the PRC government in recent years. The PRC government has published numerous policies in 2016, such as 13th Five-Year Plan for Natural Gas Development (天然氣發展「十三五」規劃) and Opinions on Accelerating the Use of Natural Gas (加快推進天然氣利用的意見), to support further development and utilisation of natural gas and natural gas vehicles and to improve energy consumption structure in China by shifting from coal to cleaner energy such as natural gas. According to the F&S Report, the natural gas demand increased significantly during the past few years. The natural gas demand in China increased significantly from 2012 to 2016 with a CAGR of 9.0%. The number of gas refuelling stations in China is expected to increase by approximately 50.0% from 2016 to 2020 according to the 13th Five-Year Plan for Natural Gas Development. The natural gas consumption volume for industrial use in Jingzhou, Hubei Province is expected to grow from 75.4 million m³ in 2017 to 105.5 million m³ in 2021, representing a CAGR of 8.8%. Please see

SUMMARY

“Industry Overview” in this prospectus for further details. We believe that the favourable government policies and industry trends in the PRC will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas across different industries. Leveraging on our operation experience, we believe we will be able to capitalise on these favourable government policies and industry trends.

OUR PRODUCTS

We sell CNG at our gas refuelling stations to our retail customers and our wholesale customers, which is an alternative fuel source to traditional vehicle fuel such as petroleum. CNG is compressed natural gas and can be used in engines of vehicles designed or modified for use with natural gas or gas-fired power generation facilities for industrial users. According to the F&S Report, CNG is the most widely used natural gas fuel for vehicles in China due to its lower cost to produce. Usage of CNG is more commonly found in short distance vehicles, such as local buses, taxis and private vehicles, and factories or industrial users with gas-fired power generation facilities. We believe that natural gas is becoming an increasingly major source of energy for residential, commercial and industrial users, particularly in urban areas, and is primarily due to the thermal efficiency and environmental-friendly nature of natural gas.

Set forth below is a breakdown of our sales volume and average selling price of CNG, revenue and percentage of revenue and nature of sales:

	2015				Year ended 31 December 2016				2017			
	Sales volume of CNG (million m ³)	Average selling price of CNG (RMB/m ³ , VAT exclusive)	Total Revenue (RMB '000)	Percentage of revenue (%)	Sales volume of CNG (million m ³)	Average selling price of CNG (RMB/m ³ , VAT exclusive)	Total Revenue (RMB '000)	Percentage of revenue (%)	Sales volume of CNG (million m ³)	Average selling price of CNG (RMB/m ³ , VAT exclusive)	Total Revenue (RMB '000)	Percentage of revenue (%)
Retail	12.9	3.32	42,810	51.0	13.8	2.75	38,041	59.7	13.0	2.74	35,731	54.4
Wholesale	14.6	2.83	41,383	49.2	12.0	2.16	25,862	40.6	12.9	2.28	30,120	45.9
Others	-	-	(190)	(0.2)	-	-	(207)	(0.3)	-	-	(186)	(0.3)
Total	27.5	3.05	84,003	100.0	25.8	2.47	63,696	100.0	25.9	2.51	65,665	100.0

Note: During FY2016 and FY2017, we recorded sales of LNG amounted to RMB0.2 million and RMB0.9 million, respectively.

Pricing of our products

According to the PRC Pricing Law (中華人民共和國價格法), the PRC government may direct, guide or fix the prices of public utilities. The NDRC determines the benchmark city station gate prices on which our purchase price for natural gas is based. Local government authorities such as Hubei Price Bureau and Jingzhou Price Bureau determine the exact benchmark city station gate prices and maximum end-user selling prices, respectively. In general, we have limited control over the pricing of CNG for our customers. During the Track Record Period, our selling price for taxis and private vehicles were close to the maximum

SUMMARY

selling price for vehicular users set by the government and our ability to pass any purchase price increase to them is limited. On the other hand, while we are entitled to adjust the selling price for buses and wholesale customers up to the maximum level set by the government in the event of purchase price increase, we look into various factors, such as our business relationship with the customers, when determining our selling price for them. Please see “Business – Pricing” in this prospectus for further details.

OUR GAS REFUELLING STATIONS AND OUR OPERATION

As at the Latest Practicable Date, we operated a total of four gas refuelling stations in Jingzhou, Hubei Province. Our retail operation was conducted through our gas refuelling stations while our wholesale operation was mainly conducted through our Jingzhou Primary Station.

Our retail operation involves the following key processes: (i) procurement of natural gas; (ii) transmission of natural gas to our Jingzhou Primary Station; (iii) logistics transfer of CNG to our gas refuelling stations; (iv) sales of CNG at our gas refuelling stations; and (v) settlement. Please see “Business – Our Operation – Retail operation” in this prospectus for further details.

Our CNG wholesale operation involves the following key processes: (i) procurement of natural gas; (ii) transmission of natural gas to our Jingzhou Primary Station; (iii) placing of order by our customers; (iv) sales and delivery of CNG to our customers; and (v) settlement. Please see “Business – Our Operation – Wholesale operation” in this prospectus for further details and our LNG wholesale operation.

We set forth below our sales volume from our gas refuelling stations and percentage of sales volume by location of our stations:

Location	Year ended 31 December					
	2015		2016		2017	
	Percentage of total		Percentage of total		Percentage of total	
	Sales volume (million m ³)	sales volume (%)	Sales volume (million m ³)	sales volume (%)	Sales volume (million m ³)	sales volume (%)
Dongfang Road (東方大道) (Jingzhou Primary Station)	15.2	55.3	12.6	48.9	13.2	51.0
Nanhuan Road (南環路) (Nanhuan Substation)	4.8	17.5	5.6	21.7	5.6	21.6
Shahong Road (沙洪路) (Shahong Substation)	1.5	5.4	2.2	8.5	2.1	8.1
Shihao Road (十號路) (Shihao Substation)	6.0	21.8	5.4	20.9	5.0	19.3
Total	27.5	100.0	25.8	100.0	25.9	100.0

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

Our customers include retail and wholesale customers. We usually enter into framework supply agreements with our wholesale customers with a term ranging from one year to three years and we do not usually enter into supply agreements with our vehicular retail customers except for Jingzhou Public Transport, a state-owned public transportation company operating one of the largest bus fleet in Jingzhou, Hubei Province and our largest customer during the Track Record Period. As part of the strategic cooperation between our Group and Jingzhou Public Transport, we will supply CNG to them and they will lease plots of land adjacent to their bus stops to us for the operation of three of our gas refuelling stations. Majority of our retail customers are drivers of public transportation vehicles, such as taxis and buses, whereas majority of our wholesale customers are urban gas companies, gas refuelling station operators and industrial users. For FY2015, FY2016 and FY2017, our five largest customers in aggregate accounted for approximately 66.9%, 66.8% and 61.0%, of our total revenue, respectively. During the respective periods, our largest customer accounted for approximately 26.4%, 29.9% and 26.4%, of our total revenue, respectively. For the key terms of the agreements, please see “Business – Customers” in this prospectus.

PetroChina has been our sole natural gas supplier for CNG since 2011, which accounted for approximately 100.0%, 99.5% and 98.3%, of our total purchases for FY2015, FY2016 and FY2017, respectively. We procured a minimal volume of LNG and recorded sales of LNG amounted to RMB0.2 million and RMB0.9 million in FY2016 and FY2017, respectively. Due to the nature of our business activities, we had no major supplier other than PetroChina during the Track Record Period. To secure a stable and abundant natural gas supply for our operation, we entered into the Master Supply Agreement for a 25-year term with PetroChina on 10 January 2015, pursuant to which we shall purchase from PetroChina, and PetroChina shall sell to us, natural gas. Pursuant to the Master Supply Agreement, we are subject to a minimum purchase volume of natural gas and take-or-pay obligation, which has been waived by PetroChina during the Track Record Period. The table below sets forth the minimum and actual purchase volume, the difference between the minimum purchase volume and the actual purchase volume (the “**Purchase Shortfall**”), average purchase price and take-or-pay obligation waived by PetroChina for the periods indicated:

		Year ended 31 December		
		2015	2016	2017
Minimum purchase volume (million m ³)	(a)	33.3	33.3	20.7
Actual volume of natural gas purchased (million m ³)	(b)	26.3	25.1	25.2
Purchase Shortfall (million m ³)	(c) = (a) - (b)	7.0	8.2	N/A
Average purchase price (RMB/m ³ , VAT exclusive)		2.27	1.75	1.75
Average purchase price (RMB/m ³ , VAT inclusive)	(d)	2.56	1.98	1.96
Take-or-pay obligation waived by PetroChina (RMB million)	(e) = (c) x (d)	17.9	16.2	N/A

Note: Pursuant to the Master Supply Agreement with PetroChina, the take-or-pay obligation is based on the Purchase Shortfall and the average purchase price (VAT inclusive) for the corresponding period.

SUMMARY

For details of the key aspects of the Master Supply Agreement, please see “Business – Our Relationship with PetroChina” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success to date and will continue to promote our expansion:

- we are an established CNG supplier with a long term and stable supply of natural gas in Jingzhou, Hubei Province;
- we are located in Jingzhou, Hubei Province, where there are favourable government policies, significant growth opportunities of the vehicle gas refuelling station market and a substantial industrial and commercial user base for natural gas;
- we have established stable business relationships with our major customers and our natural gas supplier; and
- we have an experienced and stable management team.

OUR BUSINESS STRATEGIES

We plan to further grow our business and to enlarge our customer base in the natural gas industry. Our key strategies for reaching our goals are as follows:

- expand our gas refuelling station network;
- install new facilities at our Jingzhou Primary Station; and
- strengthen our marketing and promotion strategies.

OUR RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), (i) by virtue of the Acting in Concert Confirmation, Mr. Liu Yong Qiang and Mr. Liu Yong Cheng will be together interested in 75.0% of the issued share capital of our Company, (ii) Mr. Liu Yong Qiang, through Hongsheng, will hold approximately 53.25% of the issued share capital of our Company on a standalone basis; and (iii) Mr. Liu Yong Cheng, through Yongsheng will hold approximately 21.75% of the issued share capital of our Company on a standalone basis. Each of Hongsheng and Yongsheng is an investment holding company incorporated on 4 October 2016 in BVI. Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Hongsheng and Yongsheng are parties acting in concert and are a group of Controlling Shareholders or a closely allied group of shareholders (for the purpose of Rule 19.45 of the GEM Listing Rules) of our Company. In preparation for the Listing, our Controlling Shareholders executed the acting in concert confirmation on 14 June 2017. For the purpose of the GEM Listing Rules, Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Hongsheng and Yongsheng are regarded as our Controlling Shareholders as at the Latest Practicable Date.

SUMMARY

For details of the shareholding structure of our Company, please see “History, Reorganisation and Corporate Structure – Shareholding and Corporate Structure – Our shareholding and corporate structure immediately after completion of the Reorganisation, and the Capitalisation Issue and the Share Offer” in this prospectus.

SELECTED KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth, for the periods indicated, selected financial and operating data from our consolidated financial information. For more details on the financial information, please see the Accountants’ Report in Appendix I to this prospectus.

Summary of consolidated statements of profit or loss

	Year ended 31 December		
	2015	2016	2017
	RMB’000	RMB’000	RMB’000
Revenue	84,003	63,696	65,665
Cost of sales	(72,520)	(55,800)	(56,403)
Gross profit	11,483	7,896	9,262
Profit/(loss) before tax	8,577	5,529	(4,364)
Profit/(loss) for the year	6,049	3,796	(5,417)

Our Group’s results of operations are mainly affected by the selling price of CNG and the purchase price of natural gas. As a result of the fluctuation in the maximum selling price determined by Jingzhou Price Bureau, our average selling price of CNG (VAT exclusive) decreased from RMB3.05/m³ for FY2015 to RMB2.47/m³ for FY2016, and increased to RMB2.51/m³ for FY2017. Meanwhile, as a result of the fluctuation in the gateway station price of natural gas, our average purchase price of natural gas (VAT exclusive) decreased from RMB2.27/m³ for FY2015 to RMB1.75/m³ for FY2016, and remained relatively stable at RMB1.75/m³ for FY2017. Our gross profit margin decreased from 13.7% for FY2015 to 12.4% for FY2016, and increased to 14.1% for FY2017.

Our cost of sales mainly consists of cost of inventories sold, representing our procurement costs of natural gas purchased from PetroChina. Our cost of inventories sold decreased by RMB15.4 million or 25.8% from RMB59.6 million for FY2015 to RMB44.2 million for FY2016, primarily due to the (i) decrease in purchase volume of natural gas, which was in line with the decrease in total sales volume of CNG; and (ii) decrease in our average purchase price of natural gas. Our cost of inventories sold increased by RMB0.7 million or 1.7% from RMB44.2 million for FY2016 to RMB44.9 million for FY2017, primarily due to the increase in purchase volume of natural gas, which was in line with the increase in total sales volume of natural gas.

For further details, please see “Financial Information” in this prospectus.

SUMMARY

Adjusted profit for the year and cash flows from operating activities before changes in working capital

During FY2016 and FY2017, our Group incurred one-off Listing expenses of RMB0.1 million and RMB12.0 million, respectively which were non-recurring in nature. The following table sets out the effect of Listing expenses to our profit for the year and cash flows from operating activities during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<i>Non-HKFRS measures</i>			
Adjusted profit for the year excluding Listing expenses	6,049	3,939	6,574
Adjusted cash flows from operating activities before changes in working capital excluding Listing expenses	11,416	9,623	11,724

Note: “Adjusted profit for the year excluding Listing expenses” and “Adjusted cash flows from operating activities before changes in working capital excluding Listing expenses” are non-HKFRS measures which are not defined in HKFRS or presented in the Accountants’ Report as set out in Appendix I to this prospectus, and is presented for illustration purpose only.

Summary of consolidated statements of financial position

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Non-current assets	38,810	35,416	31,719
Current assets	17,099	22,721	17,092
Current liabilities	50,634	45,610	10,598
Net current assets/(liabilities)	(33,535)	(22,889)	6,494
Total equity	5,275	12,527	38,213

SUMMARY

Summary of consolidated statements of cash flows

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash flows from/(used in) operating activities before changes in working capital	11,416	9,480	(267)
Net cash flows from operating activities	18,381	196	4,146
Net cash flows used in investing activities	(1,663)	(557)	(751)
Net cash flows from/(used in) financing activities	(10,963)	1,460	(7,977)
Net increase/(decrease) in cash and cash equivalents	5,755	1,099	(4,582)
Cash and cash equivalents at beginning of year	568	6,323	7,684
Effect of foreign exchange rate changes, net	–	262	(305)
Cash and cash equivalents at end of year	6,323	7,684	2,797

We recorded negative operating cash flows before changes in working capital of RMB0.3 million for FY2017 due to the Listing expenses of RMB12.0 million recognised during the year.

Key financial ratios

	Year ended 31 December		
	2015	2016	2017
Gross profit margin	13.7%	12.4%	14.1%
Net profit margin	7.2%	6.0%	(8.2)%
Return on equity	63.3%	42.6%	(21.4)%
Return on total assets	10.6%	6.7%	(10.1)%

	As at 31 December		
	2015	2016	2017
Current ratio	0.3	0.5	1.6

SUMMARY

Our Group's performance

Our Group's revenue has been dropping from the beginning of FY2015 to FY2016, primarily due to the combined effect of the decreasing selling price of CNG and decreasing sales volume of CNG. Our revenue decreased by RMB20.3 million or 24.2% from RMB84.0 million for FY2015 to RMB63.7 million for FY2016 as a result of the decrease in revenue from retail operation and wholesale business, and increased by RMB2.0 million or 3.1% to RMB65.7 million for FY2017 as a result of the increase in revenue from wholesale business. The decrease in revenue from retail operation from FY2015 to FY2016 was primarily due to the decrease in our average selling price of CNG, which was partly offset by the increase in sales volume to our retail customers. The decrease in revenue from our wholesale business from FY2015 to FY2016 was primarily due to (i) the decrease in our average selling price of CNG; and (ii) decrease in sales volume of CNG to some of our industrial customers which increased their purchase in LNG as substitute, whereas the increase in revenue from our wholesale business for FY2017 from FY2016 was mainly due to the increase in our average selling price and the increase in sales volume.

Our gross profit decreased from RMB11.5 million for FY2015 to RMB7.9 million for FY2016, and increased to RMB9.3 million for FY2017. Our gross profit margin decreased by 1.3 percentage points from 13.7% for FY2015 to 12.4% for FY2016. Such decrease was mainly resulted from the decrease in our revenue, while certain fixed costs included in our cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, were fixed. Our gross profit margin increased by 1.7 percentage points to 14.1% for FY2017. Such increase was mainly resulted from the increase in our revenue, while certain fixed costs included in our cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, were fixed. Please see "Financial Information – Description of Selected Items in the Consolidated Statements of Profit or Loss" for more information.

Our future growth and profitability

Our future growth and profitability largely depends on the growth of our sales volume of CNG as we have limited control over the pricing of CNG for our customers and the purchase cost of natural gas from our supplier. Due to the nature of the natural gas industry, our fixed cost of operation is relatively high. We believe that increasing the sales volume of CNG will improve our profitability as our sales volume of CNG surpasses the breakeven point of our operation. The breakeven point of our operation (which refers to a point where direct gross profit, i.e. revenue minus cost of inventories sold is equivalent to fixed operating cost excluding depreciation) in terms of sales volume amounted to 15.9 million m³, 13.8 million m³ and 12.0 million m³ for FY2015,

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FY2016 and FY2017, respectively. We believe that the above decline in performance is unlikely to continue going forward and that the performance of our Group will improve because of the followings:

- (a) *Development and growth of existing wholesale operation* – Our sales volume from our wholesale customers increased from 12.0 million m³ for FY2016 to 12.9 million m³ for FY2017. In light of the continuous demand from our wholesale customers, we will continue to expand our wholesale operation;
- (b) *New supply agreements* – During FY2017, we have entered into nine supply agreements with four existing customers and five new customers which are valid and enforceable by law, as advised by our PRC Legal Advisers. The supply agreements we entered into with our wholesale customers during the Track Record Period generally do not stipulate annual minimum purchase volume. However, we have entered into new supply agreements with two new customers, with contracted annual sales volume of 3.6 million m³ and 4.0 million m³, and a minimum purchase volume of 2.9 million m³ and 3.2 million m³, respectively. In the event that the actual purchase volume is lower than the minimum purchase volume, the two new customers shall pay our Group any purchase shortfall arisen. To guarantee the performance of the supply agreement, the two new customers have advanced prepayment of RMB0.3 million and RMB0.5 million, respectively, to our Group. Please see “Business – Our Group’s Sustainability and Future Development – New supply agreements” for the salient terms of the new supply agreements we entered into with the two new customers;
- (c) *Expansion of gas refuelling stations in light of stable and sustainable of CNG industry in local transportation sector* – The CNG demand for vehicular users remain relatively stable. Despite the stable vehicular CNG demand, we believe that the expansion of our gas refuelling station network is essential to improve our Group’s profitability by spreading fixed cost over a larger revenue base, and to improve the Group’s sustainability because our local presence provides a platform for us to establish our reputation through our retail operation, whereby allow us to maximise our reach to our potential wholesale customers, to increase our market share and to maintain our market position in the region. Our Director is of the view that the impact of electric vehicles on our natural gas operation is minimal because (i) there will be sufficient demand for CNG vehicles going forward because according to the F&S Report, the vehicle-use natural gas market in Jingzhou, Hubei Province is expected to increase from 56.4 million m³ in 2017 to 64.9 million m³ in 2021, representing a CAGR of 2.7%; (ii) the decrease in subsidies for electric vehicles from the PRC government by 20% in 2017 and 2018 and by 40% in 2019 and 2020 from that in 2016, according to Notice on Financial Support for Promotion of New Energy Vehicle from 2016 to 2020 (2016-2020年新能源汽車推廣應用財政支持政策的通知); (iii) high upfront investment of electric buses; and (iv) the share of electric buses among all buses was only around 5% in Jingzhou, Hubei Province. Please see “Business – Competition” in this prospectus.

In order to increase our market share in the industry, to capture new customers which are currently not within the service radius of our existing gas refuelling stations, to increase our sales volume to retail customers and to maximise our reach to potential wholesale

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customers as retail business provides us a platform to establish our reputation, we are intending to expand our gas refuelling station network by establishing more gas refuelling stations, including one new combined CNG/LNG refuelling station and one CNG refuelling station adjacent to an existing petroleum station, in order to diversify and enlarge our customer base. It is estimated that the daily traffic flow of our new gas refuelling stations is around 500 vehicles per day, which our Directors believe the majority of them will be our potential new customers. Please see “Business – Our Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus; and

- (d) *Favourable government policies* – The PRC government has issued a series of policies to support further development and utilisation of natural gas and natural gas vehicles such as Guidelines of Energy Work in 2017 (2017年能源工作指導意見), Opinions on Accelerating the Use of Natural Gas (關於加快推進天然氣利用的意見) in 2016, Action Plan of Energy Development Strategy (2014-2020) (能源發展戰略行動計劃(2014-2020年)) in 2014, and Natural Gas Using Policy (天然氣利用政策) in 2012. The Jingzhou Municipal Government has responded by implementing the Implementation Scheme of Abandonment of Coal-fired Boiler in Jingzhou’s Central City Area (荊州市中心城區淘汰燃煤鍋爐實施方案) in 2013 and the Notice on the Promotion of Natural Gas Power Modification Automobile and Ship In-Use (荊州市推動再用汽車船舶天然氣動力改裝工作實施意見的通知) in 2014. Please see “Industry Overview” and “Business – Our Group’s Sustainability and Future Development – Favourable government policies” in this prospectus.

We believe that our profitability and results of operation will improve as our sales volume of CNG surpasses the breakeven point of our operation and our ability to withstand varying market condition will be greatly enhanced accordingly. Based on our Group’s business model, taking into account the followings:

- (a) the increase in our Group’s sales volume for wholesale business from 12.0 million m³ for FY2016 to 12.9 million m³ for FY2017 and the growth potential in our Group’s wholesale operation;
- (b) the two new supply agreements entered by our Group with an aggregate minimum purchase amount of 6.1 million m³ which represent approximately 47% of the total wholesale volume for the year ended 31 December 2017 and potential demand of CNG from existing wholesale customers;
- (c) stable growth of the CNG industry in local transportation sector with minimal competition from electric vehicles and our Group’s plan in establishment of one new combined CNG/LNG refuelling station and one new CNG refuelling station to capture the increasing demand from customers; and
- (d) favourable government policies in support of further utilisation of natural gas,

our Directors are of the view that our Group is sustainable and will continue to expand going forward.

SUMMARY

COMPETITION

According to the F&S Report, electric vehicles provide an alternative to natural gas vehicles for clean energy solution of transportation. The electric vehicle industry has witnessed a rapid growth during 2014 and 2016 and the technologies for electric vehicles have seen fast development in China. By the end of 2016, the share of electric buses among all buses was only around 5% and the share of electric vehicles among all automobiles was less than 0.1% in Jingzhou, Hubei Province. The electric vehicle will only pose threat for the natural gas refuelling market in a longer term. For details, please see “Industry Overview – Analysis of Natural Gas Vehicle Market in Jingzhou – Competition from New Energy Vehicles” in this prospectus.

RISK FACTORS

There are certain risks relating to our operations, some of which are beyond our control. A summary of certain of these risk factors is set forth below. This summary should be read together with “Risk Factors” in this prospectus in its entirety. Any of the following developments may have a material and adverse effect on our business, financial condition, results of operations and prospects:

- risks relating to our business with PetroChina: (i) PetroChina is currently our sole natural gas supplier and any instability in, shortages of supply of natural gas to us from PetroChina could significantly and adversely affect our business; and (ii) we cannot assure you that our take-or-pay obligation under the Master Supply Agreement with PetroChina will not be enforced;
- we rely on Jingzhou Public Transport and if our relationship with them deteriorates, the operations of our Group may be materially and adversely affected;
- we are affected by risks arising from the PRC government’s downstream price control regime for natural gas. For example, there is no guarantee that the ceiling of our purchase and selling price set by the PRC government will be adjusted by the same extent and at the same time, therefore, any price adjustment may negatively affect our profit margin for the relevant period;
- our future expansion plans are subject to uncertainties and risks and could result in fluctuations in our financial performance; and
- we have limited control over the gross profit margin of our CNG sales.

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RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

To the best information and knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition of the natural gas market which would materially affect the operation or performance of our principal business. As at the Latest Practicable Date, the CNG selling price for our retail customers and our key wholesale customers ranged from RMB2.50/m³ to RMB2.92/m³ and from RMB2.00/m³ to RMB2.42/m³, respectively, while our natural gas purchase price was RMB1.68/m³. For the three months ended 31 March 2018, the sales volume for our retail and wholesale customers amounted to 3.0 million m³ and 4.1 million m³, respectively.

Our Directors confirm that, up to the date of the Prospectus, save for the impact of Listing expenses, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 31 December 2017, being the end of the period reported in the Accountants' Report set out in Appendix I to this prospectus, and there has been no event since 31 December 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer), assuming an Offer Price of HK\$0.44 per Share, being the mid-point of the indicative Offer Price range of HK\$0.40 to HK\$0.48 per Share, will be HK\$24.5 million. To implement the abovementioned business strategies, we intend to apply such net proceeds from the Share Offer as follows:

	From the Latest Practicable Date to 30 June 2018 HK\$'000	For the six months ending 31 December 2018 HK\$'000	30 June 2019 HK\$'000	31 December 2019 HK\$'000	Total HK\$'000	Approximate % of the total net proceeds
Expanding gas station network by constructing one CNG refuelling station	Nil	2,429	2,783	Nil	5,212	21.3%
Expanding gas station network by constructing one combined CNG/LNG refuelling station	Nil	1,248	6,358	460	8,066	32.9%
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	Nil	3,494	5,278	Nil	8,772	35.8%
Working capital and other general corporate purposes	613	613	612	612	2,450	10.0%
Total:	613	7,784	15,031	1,072	24,500	100.0%

For details, please see "Future Plans and Use of Proceeds" in this prospectus.

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LISTING EXPENSES

Assuming an Offer Price of HK\$0.44 per Share, being the mid-point of the indicative Offer Price range of HK\$0.40 to HK\$0.48 per Share, the total estimated Listing expenses in connection with the Share Offer (including underwriting commission) was approximately HK\$30.5 million.

For FY2015, FY2016 and FY2017, Listing expenses of nil, approximately HK\$0.2 million and approximately HK\$15.0 million, respectively, were fully charged to our profit or loss. For FY2018, we estimate that the Listing expenses of HK\$5.2 million will be charged to profit or loss and HK\$10.1 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. Our financial performance for FY2018 would be negatively affected by the one-off Listing expenses as mentioned in the foregoing.

PROPERTY VALUATION

AVISTA Valuation Advisory Limited, an independent property valuer, has valued our property interests held and occupied by our Group in the PRC as of 31 March 2018 and is of the opinion that the market value as at such date was RMB11.0 million. The texts of its letter, summary of values and valuation certificates are set out in Appendix III to this prospectus.

DIVIDENDS

No dividends has been paid or declared by our Group during the Track Record Period and up to the Latest Practicable Date. We do not have a fixed dividend policy. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. For further details, please see "Financial Information – Dividends" in this prospectus.

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group has obtained all material licences, permits and approvals required for carrying on our business operations. Save as disclosed in "Business – Legal Compliance" in this prospectus, our Directors confirm that our Group has complied with all applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

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SHARE OFFER STATISTICS⁽¹⁾

	Based on the maximum Offer Price of HK\$0.48 per Share	Based on the minimum Offer Price of HK\$0.40 per Share
Market capitalisation of our Shares ⁽²⁾	HK\$240.0 million	HK\$200.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	HK\$0.18	HK\$0.17

Notes:

1. All statistics in this table are based on the assumption that no options are granted under the Share Option Scheme.
2. The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK\$0.40 and HK\$0.48 per Share and on the assumption that 500,000,000 Shares will be in issue immediately after completion of the Share Offer and Capitalisation Issue.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in Appendix II headed “Unaudited Pro Forma Financial Information” to this prospectus and on the basis of a total of 500,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings sets out below unless the context requires otherwise.

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 20 April 2018, a summary of which is set out in Appendix IV to this prospectus, and as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit and Risk Management Committee”	the audit and risk management committee of our Board
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day(s)” or “business day(s)”	any day(s) (excluding Saturday(s), Sunday(s) or public holiday(s) in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company, as referred to in “Statutory and General Information – 3. Written resolutions of our Shareholders to be passed” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CG Code”	principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or modified from time to time
“Company”, “our Company”, “we” or “us”	TL Natural Gas Holdings Limited (formerly known as Huazhong Natural Gas Group Holdings Limited (華中天然氣集團控股有限公司)), an exempted company incorporated in the Cayman Islands on 24 March 2017 with limited liability

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“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Yongsheng and Hongsheng, who will control the exercise of 75.0% voting rights in the general meeting of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme)
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 20 April 2018 entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, further details are set out in “Statutory and General Information – I. Other Information – 4. Tax and other indemnities – (e) Deed of Indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 20 April 2018 and executed by our Controlling Shareholders in favour of our Company, further details are set out in “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us to prepare the F&S Report
“F&S Report”	an independent research report commissioned by us and prepared by F&S for the purpose of this prospectus
“FY2014”	the financial year ended 31 December 2014
“FY2015”	the financial year ended 31 December 2015

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“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ending 31 December 2018
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“ GREEN Application Form(s)”	the application form(s) to be completed by HKeIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hesheng”	Hongkong Hesheng International Industrial Limited (香港合盛國際實業有限公司), a limited liability company incorporated under the laws of Hong Kong on 3 July 2014 and is an indirect wholly-owned subsidiary of our Company
“ HK eIPO White Form ”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HKeIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hongsheng”	Hongsheng Enterprise Limited (鴻盛實業有限公司), a BVI business company incorporated in BVI on 4 October 2016 and one of our Controlling Shareholders, which is wholly-owned by Mr. Liu Yong Qiang
“Independent Third Party(ies)”	party(ies) which are not connected person(s) of our Company
“Jingzhou Price Bureau”	Jingzhou Price Bureau (荊州市物價局), the local government authority in Jingzhou, Hubei Province to set the retail ceiling price of, among others, CNG
“Jingzhou Primary Station”	the primary gas refuelling station located at Dongfang Road (東方大道), Jingzhou, Hubei Province, further details are set out in “Business – Our Gas Refuelling Station Locations” in this prospectus
“Jingzhou Public Transport”	Jingzhou Public Transportation Head Office (荊州市公共交通總公司), a state-owned enterprise established in the PRC, which is an Independent Third Party and one of our major customers
“Joint Bookrunners” or “Joint Lead Managers”	Fortune (HK) Securities Limited and Giraffe Capital Limited
“km”	kilometre(s)
“Latest Practicable Date”	30 April 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on GEM

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“Listing Date”	the date on which the Shares are listed and from which dealings therein are permitted to take place on GEM commence
“Listing Division”	the listing division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of PRC
“Master Supply Agreement”	the master supply agreement dated 10 January 2015 entered into between PetroChina and Tonglin Gas for the sale and transmission of piped natural gas from PetroChina to Tonglin Gas
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 20 April 2018, a summary of which is set out in Appendix IV to this prospectus, and as amended or supplemented from time to time
“Mr. Liu CD”	Mr. Liu Chunde (劉春德), an executive Director
“Mr. Liu Yong Cheng”	Mr. Liu Yong Cheng (劉永成), an executive Director, our chairman, one of our Controlling Shareholders and the elder brother of Mr. Liu Yong Qiang
“Mr. Liu Yong Qiang”	Mr. Liu Yong Qiang (劉永強), an executive Director, one of our Controlling Shareholders and the younger brother of Mr. Liu Yong Cheng
“Nanhuan Substation”	the gas refuelling substation located at Nanhuan Road (南環路), Jingzhou, Hubei Province, further details are set out in “Business – Our Gas Refuelling Station Locations” in this prospectus
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the price for each Offer Share of not more than HK\$0.48 per Share and expected to be not less than HK\$0.40 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date
“Offer Shares”	the Public Offer Shares and the Placing Shares

DEFINITIONS

“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in China with limited liability whose H shares are listed on the Stock Exchange (stock code: 857), and/or its subsidiaries, and an Independent Third Party
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Offer Price as described in “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 112,500,000 new Shares being offered at the Offer Price for subscription pursuant to the Placing subject to the terms and conditions as described in “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, as further described in “Underwriting – Placing” in this prospectus
“PRC government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Fangda Partners, legal advisers of our Company as to the laws of the PRC
“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), which is expected to be on or about 11 May 2018 and in any event not later than 16 May 2018
“Property Valuation Report”	property valuation report prepared by AVISTA Valuation Advisory Limited, independent property valuer, contents of which are set out in Appendix III to this prospectus

DEFINITIONS

“prospectus”	this prospectus being issued in connection with the Share Offer
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in “Structure and Conditions of the Share Offer” in this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 12,500,000 new Shares offered by our Company for subscription at the Offer Price pursuant to the Public Offer, as further described in “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer entered into, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in “Underwriting – Public Offer Underwriting Arrangements and Expenses” in this prospectus
“Regulation S”	Regulation S under the US Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by our Shareholders, further details are set out in “Statutory and General Information – D. Repurchase by our Company of our own Securities” in Appendix V to this prospectus

DEFINITIONS

“SFC” or the “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or the “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shahong Substation”	the gas refuelling substation located at Shahong Road (沙洪路), Jingzhou, Hubei Province, further details are set out in “Business – Our Gas Refuelling Station Locations” in this prospectus
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 April 2018, a summary of principal terms of which is set out in “Statutory and General Information – H. Share Option Scheme” in Appendix V to this prospectus
“Shihao Substation”	the gas refuelling substation located at Shihao Road (十號路), Jingzhou, Hubei Province, further details are set out in “Business – Our Gas Refuelling Station Locations” in this prospectus
“Sole Sponsor”	Giraffe Capital Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“sq.m”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Buy-backs, as amended modified and supplemented from time to time
“Tonglin Gas”	湖北桐林石油天然氣服務有限公司 (Hubei Tonglin Natural Gas Service Company Limited*), a limited liability company established under the laws of the PRC on 30 August 2007 and is an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Tong Lin Investment”	Tong Lin International Investment Limited (桐林國際投資有限公司), a limited liability company incorporated in Hong Kong on 5 June 2003, was held as to 90.0% by Mr. Liu Niu, father of Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, and as to 10.0% by Mr. Chen Yuwen, an Independent Third Party
“Tongxing”	公安縣桐興天然氣有限公司 (Gong An County Tongxing Natural Gas Company Limited*), a limited liability established under the laws of the PRC on 26 November 2012 and was then a direct non-wholly owned subsidiary of Tonglin Gas before it was disposed of to an Independent Third Party on 2 November 2015
“Track Record Period”	FY2015, FY2016 and FY2017
“Underwriters”	the Underwriters of the Placing named in “Underwriting – Underwriters” in this prospectus
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollar” or “US\$”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)

DEFINITIONS

“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS
“Yongsheng”	Yongsheng Enterprise Limited (永盛實業有限公司), a BVI business company incorporated in BVI on 4 October 2016, one of our Controlling Shareholders which is wholly-owned by Mr. Liu Yong Cheng
“Zhuoyuan”	Zhuoyuan Enterprise Limited (卓遠實業有限公司), a BVI business company incorporated in BVI on 28 March 2017 and a direct wholly-owned subsidiary of our Company
“%”	per cent

Unless expressly stated or the context requires otherwise:

- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *all data contained in this prospectus are as at the Latest Practicable Date;*
- *solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB0.8014 to HK\$1.00.*

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“CAGR”	acronym for compound annual growth rate, the year-on-year growth rate over a specified period of time
“CNG”	compressed natural gas, refers to natural gas that has been compressed to a high density through high pressure and is used as a clean alternative fuel for vehicles
“GW”	gigawatt, a unit of power, 1GW = 1,000 megawatt
“kPa”	kilopascal
“LNG”	liquefied natural gas, refers to natural gas that has been converted to liquid form
“LPG”	liquefied petroleum gas, refers to a flammable mixture of hydrocarbon gases extracted from petroleum
“m ³ ”	cubic metre(s)
“natural gas”	refers to gas consisting primarily of methane found in coal beds with or without other fossil fuels
“primary station”	refers to gas station that is usually built close to natural gas pipeline and is used for receiving, storage, purification, desiccation and pressurisation of pipeline gas and supplying processed gas for secondary station or wholesale customers through tanker truck
“substation”	refers to gas station that is used for receiving and further pressurisation of natural gas from primary station and refuelling CNG vehicles
“VAT”	value-added tax

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our ability to identify and successfully take advantage of new business development opportunities; and
- the regulatory environment and industry outlook for the industry and markets in which our Group operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of PRC relating to any aspect of our business or operations;
- general economic, market and business conditions in PRC;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors” in this prospectus.

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You should carefully consider all information set out in this prospectus, including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands.

Our business, financial condition and results of operations could be materially and adversely affected by the occurrence of any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to risks relating to our relationship with PetroChina.

PetroChina is currently our sole natural gas supplier and any instability in, shortages of supply of natural gas to us from PetroChina could significantly and adversely affect our business.

Natural gas constitutes the major raw material for our business operation. For FY2015, FY2016 and FY2017, our costs of inventories sold amounted to RMB59.6 million, RMB44.2 million and RMB44.9 million, respectively, representing 82.2%, 79.2% and 79.7%, respectively, of our total cost of sales. Due to the highly regulated nature of natural gas supply industry in the PRC, as at the Latest Practicable Date, PetroChina was our sole natural gas supplier. In 2015, we entered into the Master Supply Agreement with PetroChina for a term of 25 years for the supply of natural gas from PetroChina. We usually sign an annual confirmation letter with PetroChina each year to set out the monthly volume of natural gas that we will purchase for the following 12 months.

As we generally do not maintain a reserve of natural gas, we may need to impose temporary limitations on our distribution of CNG to our customers when there is an insufficient supply of natural gas from PetroChina. The price at which we purchase natural gas from PetroChina is guided by the NDRC, which we have limited control. Please see “Business – Our Operation – Retail operation – 1. Procurement of natural gas” in this prospectus for further details. Any dispute between us and PetroChina or any changes of terms under the Master Supply Agreement may affect our supply relationship with PetroChina, and result in the loss of business opportunities. Further, we may also face shortage of natural gas in the PRC as a whole due to reasons beyond our control, for example, disruption of natural gas supply of our upstream suppliers or the occurrence of any adverse political and economic conditions in natural gas exporting countries, resulting in the significant fluctuation of natural gas supply in the market. If we are not able to source sufficient amount of natural gas on commercially acceptable terms, or at all, our business, financial condition and results of operations would be materially and adversely affected.

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Our take-or-pay obligation under the Master Supply Agreement with PetroChina may not be enforced.

We are subject to a specified minimum purchase volume of natural gas according to the Master Supply Agreement. Our purchase obligation is on a “take-or-pay” basis. If our actual purchase volume in the relevant year is less than 90% of the specified purchase volume (the “**minimum purchase volume**”), i.e. 33.3 million m³ per year for year 2015-2017, PetroChina has the right to require us to pay for the difference between the actual purchase volume and the minimum purchase volume (the “**Purchase Shortfall**”) in such year. According to the confirmation dated 7 September 2017 issued by Huazhong Distribution Branch Company (華中天然氣銷售分公司) (“**PetroChina Huazhong Branch**”), a wholly-owned branch of PetroChina, it is confirmed that the obligations for the Purchase Shortfall which amounted to approximately 7.0 million m³ and 8.2 million m³ for FY2015 and FY2016, respectively, under the Master Supply Agreement during the Track Record Period and up to the date of the confirmation have been expressly waived and PetroChina would not claim against us for any such obligations under the Master Supply Agreement. If PetroChina had enforced the take-or-pay obligation against us, we would have had to pay PetroChina additional amounts of RMB17.9 million and RMB16.2 million for FY2015 and FY2016, respectively. Further, based on a confirmation dated 20 October 2017 issued by PetroChina Huazhong Branch, the minimum purchase volume for each of FY2017 and FY2018 is adjusted to 20.7 million m³ and it is confirmed that it has not and will not demand any sums payable in relation to the Purchase Shortfall incurred (if any) up to 31 December 2017. There is no assurance that we will not experience any failure in meeting such minimum purchase volume in the future and that in such case, PetroChina will not enforce our take-or-pay obligation. In the circumstance where PetroChina enforces our take-or-pay obligation in respect of any of our future failure(s) of meeting the minimum purchase volume, we will be required to pay PetroChina for the shortfall in accordance with the Master Supply Agreement. In such case, after we have made the payment, we have the right to require PetroChina to supply the shortfall volume of natural gas, subject to the terms and conditions of the Master Supply Agreement. If our actual purchase volume is more than the specified purchase volume in a relevant year, there is no obligation for PetroChina to supply us with the additional gas demanded in excess of the specified purchase volume according to the Master Supply Agreement. Please see “Business – Our Relationship with PetroChina” in this prospectus for details.

We have limited control over the gross profit margin of our CNG sales.

Our revenue, cost of sales and gross profit margin are directly affected by the fluctuations of the purchase price of natural gas and the selling price of CNG. The purchase price of natural gas depends on a range of factors, including among others, the market demand and supply of natural gas and the gateway station price determined by the NDRC. On the other hand, the selling price of CNG sold by us is affected by our procurement cost of the natural gas, our business relationship with the relevant customers, and the pricing guidelines imposed by Hubei Price Bureau and Jingzhou Price Bureau. Accordingly, we have limited control over our purchase price of natural gas and selling price of CNG. If we are unable to increase our sales volume or to pass on the impact of the increase in purchase prices of natural gas to our

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customers by adjusting our retail selling price in a timely manner, our gross profit, cash flows and results of operations will be materially and adversely affected. Please see “Business – Pricing” in this prospectus for details of our pricing strategy.

We rely on Jingzhou Public Transport and if our relationship with them deteriorates, the operations of our Group may be materially and adversely affected.

Jingzhou Public Transport is a state-owned public transportation company, and operates one of the largest bus fleet in Jingzhou, Hubei Province and has bus routes covering urban and rural area of Jingzhou, Hubei Province. For FY2015, FY2016 and FY2017, sales to Jingzhou Public Transport, our largest customer during the Track Record Period, accounted for approximately 26.4%, 29.9% and 26.4%, respectively, of our total revenue. Also, Jingzhou Public Transport leased three parcels of lands, each for a term of 10 years till January 2026 and each of approximately 2,500 sq.m., for the operation of our gas refuelling substations. During the respective periods, the rental paid to Jingzhou Public Transport for the leased parcels of land amounted to RMB1.3 million, RMB1.6 million and RMB1.6 million, respectively. The above arrangement is part of the strategic cooperation between our Group and Jingzhou Public Transport. We will continue to rely our business and operation on Jingzhou Public Transport. If Jingzhou Public Transport ceases to purchase or reduce substantially their procurement of CNG from us in the future or if our relationship with them deteriorates and they decide not to lease any of their lands to us in the future, we may not be able to seek alternative customers or alternative site within a short period of time, then the business and financial performance of the Group may be materially and adversely affected.

We are affected by risks arising from the PRC government’s downstream price control regime for natural gas. For example, there is no guarantee that the ceiling of our purchase price set by the PRC government and partially determined by PetroChina and selling price set by the PRC government will be adjusted by the same extent and at the same time, therefore, any price adjustment may negatively affect our profit margin for the relevant period.

According to the PRC Pricing Law (中華人民共和國價格法), the PRC government may direct, guide or fix the prices of public utilities according to pricing schedules prescribed by the central or local governments. The local governments may introduce policies to adjust the ceiling of our purchase price. Effective from 20 November 2016, industry players are allowed to charge up to 20.0% more than the ceiling of the purchase price set by the PRC government, and there is no downward limit for it. PetroChina may adjust the purchase price upward or downward from time to time to regulate the demand and supply of natural gas for resource allocation purpose. To operate in line with the local government’s policies, we are entitled to determine our selling price and may re-adjust our selling price in accordance with the new ceiling price imposed by Jingzhou Price Bureau from time to time.

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Given that there may exist a time gap between increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period. Accordingly, if there is any price adjustment by the relevant pricing authorities or our supplier on our purchase price of natural gas and if we fail to pass on the corresponding increase in the purchase price of natural gas to our customers in a timely manner, or at all, we may not be able to maintain our profitability, and our revenue, financial condition and results and operations may be materially and adversely affected.

We face increased competition from the use of electric vehicles.

Our industry is subject to rapid and unpredictable new energy trend. As a result of local government subsidies and maturity of technologies used by electric vehicles, during the Track Record Period, we have experienced increased competition from other means of resources in our retail market due to the switch of natural gas vehicles to electric vehicles by our current or target customers. According to the F&S Report, under its strategic plan for upgrading of China's automobile industry, the PRC government has shown preference for electric vehicles. In 2016, electric buses formed part of the public transportation fleet in Jingzhou, Hubei Province, as part of the province's new energy vehicle pilot scheme. If such trend continues, the demand for natural gas might decrease and our natural gas refuelling stations may become less competitive over time. To compete successfully, we may need to incur additional capital expenditures to enhance product performance and strengthen our existing gas station network through further marketing and promotional efforts. However, we cannot assure you that our strategies will be effective nor can we predict what measures our competitors may take. If we cannot maintain our competitiveness in the market, we may lose our market share, experience slower growth of our customer base, or suffer a reduction in our profit margin, any of which could adversely affect our business, financial condition and results of operations.

We may not enforce the minimum purchase obligation under the supply agreements we entered into with our two new wholesale customers in FY2017.

In order to improve our Group's profitability and continue to expand going forward, we have entered into two new supply agreements in FY2017 with a minimum purchase obligation of 2.9 million m³ and 3.2 million m³, with one new wholesale customer based in Jingmen, Hubei Province ("New Customer A") and one new wholesale customer based in Xiantao, Hubei Province ("New Customer B"), respectively. According to the new supply agreements, we have the right to require New Customer A and New Customer B to pay for the difference between the actual purchase volume and the minimum purchase volume for the relevant year. However, there is no assurance that they will be able to satisfy the minimum purchase volume during the term of the agreements. If the actual purchase volume is less than the minimum purchase volume stipulated in the respective supply agreement of New Customer A and New Customer B, we might not be able to enforce the take-or-pay obligation against them, and might adversely affect our business, financial condition and results of operations accordingly.

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Our business and operating results depend heavily on the economic and social conditions of Jingzhou, Hubei Province, and any adverse economic, social and/or political conditions affecting the market may adversely affect our business.

All of our gas refuelling stations are located in Jingzhou, Hubei Province. Our business operations and the demand for our CNG supply are therefore exposed to any deterioration in the economic, social and/or political conditions as well as any incidence of social unrest, strike, riot, civil disturbance or disobedience in Jingzhou, Hubei Province. Due to the limited geographical coverage of our business, the aforesaid adverse circumstances may materially and adversely disrupt operations of our gas refuelling stations, and in turn, the revenue and profitability of our Group, and consequently, our financial condition and results of operations.

We require various licences and permits to commence, operate and expand our operations. Any failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans.

In accordance with the applicable PRC laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and continue our operations. In addition, our operation facilities are subject to inspections by the regulatory authorities for compliance with the applicable PRC laws and regulations. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licences and permits could cause us to temporarily or permanently suspend some or all of our operation facilities, which could disrupt our operations and may materially and adversely affect our business, financial condition, results of operations and reputation.

We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject to.

We conduct a hazardous business due to the flammable and explosive nature of natural gas. Our main assets include, among others, gas refuelling stations and ancillary operational assets. Operating these assets involves risks and hazards, including equipment failures, natural disasters, environmental hazards and industrial accidents. Significant operational hazards and natural disasters may cause interruptions or suspension in our operations that could have a material adverse impact on our business and financial condition, as well as our reputation. These hazards may also cause significant personal injury or death, severe damage to and destruction of property, plant and equipment, and contamination of or damage to the environment. We may also face criminal liabilities imposed by the government and/or civil liabilities or fines as a result of damage suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws and regulations.

We have obtained insurance policies to cover certain risks associated with our business. Please see “Business – Insurance” in this prospectus for details. We cannot assure you that our insurance policies are adequate or that we will be insured fully against all risks and losses that may arise. If we incur a material loss or a loss that significantly exceeded the limits or coverage

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of our insurance policies, our business, financial condition and results of operations may be materially and adversely affected. In addition, our insurance policies may be subject to review by our insurers from time to time, and we cannot assure you that we will be able to renew these policies on similar or acceptable terms, or at all.

We rely on third-party logistic service companies to operate our tanker trucks and to distribute our natural gas from our Jingzhou Primary Station to our gas refuelling substations and to our customers, and their failure to provide logistics services to us and our customers may negatively impact our customers' satisfaction and our reputation, and materially and adversely affect our business and results of operations.

We rely on third-party logistic service companies to deliver CNG from Jingzhou Primary Station to our gas refuelling substations and our customers. Interruptions to or failures in these logistic services could hinder our logistic delivery process and timely or successful delivery of our CNG. These interruptions may be due to unforeseen events that are beyond our control, such as bad weather, natural disasters, labour unrests, blockages of roads and bridges, or disputes with our third-party logistic service companies. If we are unable to find substitute or replacement of logistic service companies and if our natural gas are not delivered on time, we may lose customers and our financial condition and market reputation could suffer.

Our business requires substantial initial capital investment and any significant increase in the cost of constructing or developing our natural gas facilities may materially and adversely affect our planned expansion and prospects.

We are required to make substantial initial capital investments to construct gas refuelling stations and ancillary facilities. The capital investment required to develop and construct natural gas facilities varies based on the cost of fixed assets and cost of construction. The price of such equipment and/or construction may increase if market demand for such equipment or construction is greater than the available supply, or if the prices of key components, commodities and raw materials necessary to build such equipment increase. A significant increase in the costs of developing and constructing our natural gas facilities could materially and adversely affect our business, financial condition, results of operations and cost of implementation of our planned expansion.

Our Group recorded net current liabilities as at 31 December 2015 and 2016.

We recorded net current liabilities of RMB33.5 million and RMB22.9 million as at 31 December 2015 and 2016, respectively, mainly because of the amounts due to directors and an amount due to a related party, mainly representing the (i) aggregate consideration of HK\$17.5 million arising from the transfer of shareholding in Tonglin Gas from the then shareholders to Hesheng in 2015; and (ii) short-term advance from a director for our capital expenditure on the constructions of our gas refuelling stations and pipelines, which were repayable on demand and classified as current liabilities, both of which were fully settled as at 29 January 2018. Our financial position turned around from net current liabilities of RMB22.9 million as at 31 December 2016 to net current assets of RMB6.5 million as at 31 December 2017 mainly

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attributable to the cash settlement of the amounts due to directors and a related party. Please see “Financial Information – Liquidity and Capital Resources – Net Current Assets/Liabilities” for further information on our net current liabilities position during the Track Record Period. We cannot assure you that we will be able to raise the necessary funds from our Group’s operations or by borrowing from financial institutions to finance our business, operations and capital expenditure in the future. In the event that our Group is unable to generate enough cash from our operations and we fail to obtain alternative banking and credit facilities from financial institutions on reasonable terms, or at all, our business, financial condition and results of operations may be adversely affected.

We are exposed to credit risk of our customers.

Our trade receivables as at 31 December 2015, 2016 and 2017 amounted to approximately RMB3.9 million, RMB5.7 million and RMB6.2 million respectively, accounted for approximately 7.0%, 9.7% and 12.6% of our Group’s total assets respectively. During the years ended 31 December 2015, 2016 and 2017, the average trade receivables turnover days were approximately 18.0 days, 27.4 days and 32.9 days respectively.

Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our Group’s customers from their respective credit period, which in turn may also result in an impairment loss provision and may affect our cash flows. There is no assurance that we will be able to fully recover our trade receivables from the customers or that they will settle our trade receivables in a timely manner. In the event the settlements from the customers are not made on a timely manner, the financial position, profitability and cash flows of our Group may be adversely affected.

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We have not obtained the necessary approvals, permits and certificates for some of the buildings and leased land we occupy or use.

We failed to comply with the approval procedure for leasing of state-owned allocated land. The use of our leased land from Jingzhou Public Transport has not been approved by the relevant authorities. As advised by our PRC Legal Advisers, if state-owned allocated land user fails to go through the approval procedure for leasing of the allocated land, the leasing shall be invalid and unprotected by law.

Our lessor, Jingzhou Public Transport, had not obtained the building ownership certificates for certain properties on our leased land at our gas refuelling substations and we have not obtained building ownership certificates for certain buildings on the parcels of land we owned at our Jingzhou Primary Station, some of which serve as common room, office and warehouse for our staff. As advised by our PRC Legal Advisers, our Group might be fined or penalised and ordered to make rectification within a time limit or to demolish the properties within a time limit.

In the event that the occupation and use of these buildings and land, for which we do not hold the necessary approvals, permits and certificates, are interrupted beyond our control, we may be required to demolish and relocate and such relocation may affect our financial condition and results of operations. Please see “Business – Properties” and the Property Valuation Report set out in Appendix III to this prospectus for further details.

RISK FACTORS

Our future expansion plans are subject to uncertainties and risks and could result in fluctuations in our financial performance.

Our growth depends on the implementation of our future plans in connection with our business. It is intended that the proceeds from the Share Offer will be used for the establishment of new gas refuelling stations in location(s) close to major roads that have high traffic flow. The new gas refuelling stations will adopt our business philosophy as well as operating model developed by our Group. Please see “Future Plans and Use of Proceeds” in this prospectus for further information of our future plans.

The continued expansion of our business may place significant strain on our managerial, operational and financial resources. We may not be able to identify suitable site for our new gas refuelling stations and the investment payback period and/or breakeven may be longer than expected. Further, we may not be able to successfully manage the growth of our business despite adopting various measures and strategies to do so including, among others, the need to raise working capital, to identify, recruit, train and integrate additional staff and employees and to oversee the coordination and cooperation with existing gas refuelling stations. Therefore, there is no assurance that the intended growth of our business can be achieved or will become profitable. Whether our future plans can be implemented successfully may be affected by various factors which are beyond our control, such as increase in costs related to the establishment, furnishing and other capital expenditure for our new gas refuelling stations as well as our ability to employ sufficient and competent staff for these new gas refuelling stations.

In addition, our operating results in the future may continue to be influenced by the timing of opening of new gas refuelling stations, including initially lower sales and higher operating costs. New gas refuelling stations also incur expenses before opening such as rental expenses and other capital expenditures. Our progress in opening new gas refueling stations from period to period may occur at an uneven rate. Accordingly, the number and timing of new gas refuelling stations may have material impact on our profitability and cost structure, and our results of operations may fluctuate significantly from period to period.

Our financial condition and results of operations are affected by the occurrence of epidemics and natural disasters as well as political instability.

Our business can be affected by major natural disasters, or widespread outbreaks of infectious diseases in China and other parts of the world. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies to various countries and regions. For example, in 2003, certain Asian countries and regions, including the PRC and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. More recently, Ebola virus has caused thousands of casualties in African countries and Middle East Respiratory Syndrome, or MERS, another highly contagious form of atypical pneumonia, has spread in the Middle East and South Korea. Recurrence of SARS, influenza A (H1N1) or avian flu (H5N1) in China or any other parts of the world as well as the continuing spread of Ebola

RISK FACTORS

and MERS may cause disruption of regional or national economic activity, which can affect consumer activities in the affected areas and, therefore, reduce demands for our products. Such event may also result in limitations on our ability to travel, and delayed transportation and delivery of our products, which in turn may materially and adversely affect our business, financial condition and results of operations. Any natural disasters, political unrest, war, acts of terrorism and other instability in the PRC or other parts of the world could also result in disruption to our business or the businesses of our customers.

If we are unable to retain key members of our management, our growth and future success may be impaired and our business, operational results and financial performance could deteriorate.

We believe that our success depends upon the continued contributions of our executive Directors and key members of our management team, for example, our executive Directors, Mr. Liu Yong Qiang, who is also our deputy general manager, and Mr. Liu Yong Cheng, who is our chairman and chief executive officer, have approximately 11 years of experience, in the management of natural gas company. Mr. Liu CD, our general manager and an executive Director, has about nine years of experience in the natural gas industry. Our executive Directors and key members of our management team possess expertise and experience in the management, operations and business of gas refuelling stations that are difficult to replace.

We cannot assure you that the services of such personnel will continue to be available or that we will be able to replace them with qualified persons who have similar knowledge or experience. If we lose the service of any member of our key management or if we fail to continue to attract and retain additional personnel with suitable experience and qualifications to join our management team, our business may be disrupted and our business, operational results and financial conditions may be materially and adversely affected.

There may be alternative energy sources other than natural gas.

The cost of natural gas in comparison with alternative fuel sources will affect the demand for our sale of our natural gas. Coal gas, petroleum, LPG, LNG and electricity are the main substitutes for natural gas. End-users will consider factors such as cost, availability, reliability, convenience and safety when choosing the energy source to use. In the event that other forms of energy source become more attractive, our customers may shift to use such other forms of energy, which may materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Any future changes in laws or regulations or enforcement policies could materially and adversely affect our business, financial condition and results of operations.

The natural gas industry is subject to a broad range of laws and regulations in the PRC, such as the laws and regulations on environmental health and safety and foreign investment. Any change in existing laws and regulations or their interpretation that may affect our business or operations could require us to incur additional compliance costs or costly and time-consuming changes to our operations, either of which could materially and adversely affect our business, results of operations and financial condition. For details of such laws and regulations, please see “Regulatory Overview” in this prospectus.

We are unable to predict future changes in laws or regulations or enforcement policies that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations. Our Directors believe that the requirements of existing laws and regulations that may affect our business have generally become stricter in recent years, and the trend is likely to continue. Further, the regulatory environment in which we operate is subject to frequent changes and has become more heavily regulated in recent years. We may be adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We are subject to the political, economic and social development as well as laws, rules, regulations and licensing requirements in the PRC.

All of our businesses, assets, operations and our revenue are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasizing the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

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Our performance has been and will continue to be affected by the PRC's economy, which has slowed down in recent years. The PRC's economic growth is also influenced by the global economy. The global financial crisis in 2008 and the sovereign debt crisis in Europe have collectively added downward pressure to the PRC's economic growth.

Any unfavorable political, economic or social development in the PRC, or an unfavorable change in the PRC's laws, regulations, rules and licensing requirements, may adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

The payment of dividends by our operating subsidiary in the PRC is subject to restrictions under PRC laws.

We operate our business through our operating subsidiary in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. The PRC laws require the PRC companies, including the foreign-invested enterprises, to set aside 10.0% of their net profit as statutory reserves until the accumulated statutory reserves account for 50.0% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness, to a certain extent, depends upon dividends received from our PRC subsidiary, any restrictions on the availability and usage of our major source of funding may impact our ability to fund our operations and to service our indebtedness.

Dividends from our PRC subsidiary paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC.

Under the EIT Law and its implementing rules, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to its foreign shareholder, are subject to a withholding tax at the rate of 10.0%, unless the jurisdiction of such foreign shareholder has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities in accordance with such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5.0% if a Hong Kong resident enterprise is the beneficial owner of more than 25.0% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法), or the 2015 Administration Measures, which was promulgated by the State Administration of Taxation on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with the PRC competent tax authority is no longer required before a non-resident taxpayer can enjoy the preferential tax treatment under the relevant treaties. A non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or

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withholding and declaration through a withholding agent if it is eligible for the preferential tax treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the preferential tax treatment, the non-resident taxpayer shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the preferential tax treatment, ask for supplemental documents from the non-resident taxpayer or, if the non-resident taxpayer is deemed not eligible for the preferential tax treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5.0% withholding tax rate on dividend paid by our PRC subsidiary and received by our Hong Kong subsidiary.

Uncertainties with respect to the PRC legal system could have an adverse effect on us.

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade with a view to develop a comprehensive system of commercial law.

However, the PRC has not developed a fully-integrated legal system. The recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent.

Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management's attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialisation of all or any of these uncertainties could have an adverse effect on our financial position and results of operations.

RISK FACTORS

Governmental control of currency conversion may limit our ability to utilise our cash effectively, which may adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. We receive significant portion of our revenue in Renminbi, which is currently not a freely convertible currency. As a Cayman Islands holding company, we may, to a certain extent, rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividend, or otherwise satisfy foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from the trade-related transactions, can be made in foreign currencies without the prior approval from the SAFE, by complying with certain procedural requirements. However, payments under the capital account items, including capital transfers, direct investment, securities investment, and the repayment of the principal amount of the borrowings, are subject to significant foreign exchange controls and require the prior approval from the SAFE or the registration with the SAFE or the banks. Furthermore, the PRC government may also at its discretion restrict access to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

RISKS RELATING TO THE SHARE OFFER

There is no prior public market for our Shares and an active trading market may not develop or be sustained after the Listing and market price and trading volume of the Shares may fluctuate significantly.

Prior to the Listing, there has been no public market for the Shares. The indicative range of the Offer Price was determined as a result of negotiations between the Joint Bookrunners and our Company. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, nor that the market price of our Shares will not decline below the Offer Price.

The market price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

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In addition, shares of other comparable companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Investors for our Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

One of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of our business, operations or acquisitions. Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by issuing new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro rata basis to our then existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of share options under the Share Option Scheme. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market subsequent to the lock-up period pursuant to Rule 13.16A of the GEM Listing Rules and the voluntary lock-up undertaking by our Controlling Shareholders could materially and adversely affect the market price of the Shares.

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods pursuant to Rule 13.16A of the GEM Listing Rules and the voluntary lock-up undertaking after the Listing. There is also no guarantee that the voluntary lock-up undertakings given by our Controlling Shareholders will be enforceable. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares offered by any of our Controlling Shareholders for purchase may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares. Please see “Relationship with Controlling Shareholders – Lock-up Undertaking by the Controlling Shareholders – Voluntary Undertaking” and “Underwriting – Undertakings” in this prospectus for further details.

RISK FACTORS

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by, among other things, our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders, in some respects, differ from those established under statutes or judicial precedent in existence in Hong Kong. The rights of Shareholders to take action against the Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. A summary of Cayman Islands company law is set out in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Prospective investors should not place undue reliance on industry and market overview and statistics derived from official government publications contained in this prospectus.

Certain statistics, facts, data and forecasts presented in “Industry Overview” and elsewhere in this prospectus including those relating to the PRC, the PRC economy and the industry of natural gas have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer have not verified such statistics, facts, data and forecasts and give no representation as to their accuracy and completeness. As such, potential investors should not place undue reliance on such information.

Our Group’s future results could differ materially from those expressed in or implied by the forward-looking statements.

This prospectus includes various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please see “Forward-looking Statements” in this prospectus.

Shareholders should read this prospectus in detail.

There may have been coverage in the media regarding the Listing and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation of the Share Offer, our Company has sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules:

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 5.14 and 11.07(2) of the GEM Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note (1) to Rule 5.14 of the GEM Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note (2) to Rule 5.14 of the GEM Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he or she played;
- (b) familiarity with the GEM Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (WUMP) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 5.15 of the GEM Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to the Listing Decision HKEx-LD35-1 (July 2003) (Updated in April 2013 and April 2014) relating to the then Rule 8.17 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “**Listing Rules**”), where the company secretary did not possess the relevant professional qualifications required under the then Rule 8.17(2) of the Listing Rules or the academic or professional qualifications or relevant experience required under the then Rule 8.17(3) of the Listing Rules, the Stock Exchange decided that:

- (a) the company secretary in question should be assisted by a suitably qualified person so as to enable him to acquire the “relevant experience” to discharge his functions as company secretary; and

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

- (b) the person to assist the company secretary would need to possess the professional qualifications required under the then Rule 8.17(2) of the Listing Rules, and should be engaged for an initial period of three years from the date of listing.

Our Company appointed Ms. Cheng Mei Chun (“**Ms. Cheng**”) and Mr. Zhao Yonghe (“**Mr. Zhao**”) as joint company secretaries of our Company on 6 June 2017. Ms. Cheng is an associate member of the Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 5.14 of the GEM Listing Rules and is in compliance with Rule 11.07(2) of the GEM Listing Rules.

Mr. Zhao has served as the financial controller of our Company since 2015. He has extensive knowledge about the business operations, internal control systems and corporate culture of our Company. He is also familiar with financial and accounting regulatory requirements of PRC. Our Directors believe these are important qualities of a company secretary. He has also had the benefit of receiving advice from us and Peter Yuen & Associates (in association with Fangda Partners), our Company’s Hong Kong legal adviser, in relation to regulatory obligations of our Company and his responsibilities as a joint company secretary. Our Company believes that Mr. Zhao by virtue of his knowledge and experience in handling corporate administrative and financial matters is capable of discharging his function as joint company secretary.

Accordingly, while Mr. Zhao does not possess the formal qualifications required of a company secretary under Rule 5.14 of the GEM Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules such that Mr. Zhao can be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that Ms. Cheng, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Zhao in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 5.14 of the GEM Listing Rules.

The waiver will be revoked immediately if Ms. Cheng ceases to provide assistance to Mr. Zhao as the joint company secretary for the three-year period after the Listing. In addition, Mr. Zhao will comply with the annual professional training requirement under Rule 5.15 of the GEM Listing Rules and will enhance his knowledge of the GEM Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Mr. Zhao has access to the relevant training and support that would enhance his understanding of the GEM Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Zhao and the need for on-going assistance of Ms. Cheng will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Zhao, having benefited from the assistance of Ms. Cheng for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 5.14 of the GEM Listing Rules, or alternatively our Company will

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

appoint a person as the company secretary who fully meets the requirements under Rule 11.07(2) of the GEM Listing Rules, such that an extension of this waiver from Rule 11.07(2) of the GEM Listing Rules will not be necessary.

Mr. Zhao will continue to be assisted by the compliance adviser and the Hong Kong legal adviser engaged by our Company, particularly in relation to Hong Kong corporate governance practices and compliance issues, on matters concerning our Company's ongoing compliance with the GEM Listing Rules and the applicable laws and regulations.

Please see "Directors and Senior Management" in this prospectus for further information regarding the qualifications of Ms. Cheng and Mr. Zhao.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or that implies that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

INFORMATION ON THE SHARE OFFER

Issuer	TL Natural Gas Holdings Limited
Share Offer	The Share Offer of (i) 12,500,000 new Shares for subscription by the public in Hong Kong (subject to reallocation) under the Public Offer and (ii) initially 112,500,000 new Shares (subject to reallocation) for professional or institutional investors under the Placing.
Offer Price range	Not more than HK\$0.48 per Share and not less than HK\$0.40 per Share
Conditions of the Public Offer	Details of the conditions of the Public Offer are set out in “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus.
Lock-up undertakings by our Company and our Controlling Shareholders	Please see “Underwriting – Undertakings” in this prospectus.
Restrictions on sale of Offer Shares in Hong Kong	Each person acquiring the Offer Shares will be required to confirm or will be deemed by his/her acquisition of the Offer Shares to confirm that he/she is aware of the restrictions on the offering of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. Save as mentioned above, no action has been taken in any jurisdiction other than in Hong Kong to permit an offering or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Share Registrar and stamp duty

Dealings in the Shares registered on our Company's Hong Kong branch share register (i.e. Tricor Investor Services Limited) will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Transfers of the Shares registered on our principal share register in the Cayman Islands (i.e. Estera Trust (Cayman) Limited) will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Our Company's Hong Kong branch share register will be maintained by the Hong Kong Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, whereas our principal share register will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Professional tax advice
recommended

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

Application for listing on the
Stock Exchange

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Eligibility for CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangements and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

Rounding of figures

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Commencement of dealing in the Shares

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 18 May 2018. Shares will be traded in board lots of 10,000 Shares each and the stock code of our Shares will be 8536.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Yong Cheng (劉永成)	Flat G, 7th Floor Phoenix Garden 92 Rua De Kunming Macau	Chinese
Mr. Liu Yong Qiang (劉永強)	Flat G, 7th Floor Phoenix Garden 92 Rua De Kunming Macau	Chinese
Mr. Liu Chunde (劉春德)	Room 803, 11 Tian E Street Gexin Road Haizhu District Guangzhou the PRC	Chinese
Independent Non-executive Directors		
Mr. Wong Chun Peng Stewart (黃俊鵬)	Flat A, 19th Floor Sunrise, Parkridge Village Discovery Bay Lantau Island Hong Kong	Chinese
Mr. Li Wai Kwan (李偉君)	Room A, 17th Floor Evelyn Towers 38 Cloud View Road North Point Hong Kong	Chinese
Ms. Li Helen Hoi Lam (李凱琳)	5A, Manhattan Court 1 Alnwick Road Kowloon Tong Hong Kong	Chinese

Please see “Directors and Senior Management” in this prospectus for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Giraffe Capital Limited

22/F, China Hong Kong Tower
8-12 Hennessy Road
Hong Kong

**Joint Bookrunners and Joint Lead
Managers**

Fortune (HK) Securities Limited

43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Giraffe Capital Limited

22/F, China Hong Kong Tower
8-12 Hennessy Road
Hong Kong

Hong Kong Underwriters

Fortune (HK) Securities Limited

43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Giraffe Capital Limited

22/F, China Hong Kong Tower
8-12 Hennessy Road
Hong Kong

**Auditors and Reporting
Accountants**

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Advisers to our Company

As to Hong Kong law

Peter Yuen & Associates

(in association with Fangda Partners)

26th Floor, One Exchange Square

8 Connaught Place

Central

Hong Kong

As to PRC law

Fangda Partners

17th Floor, Tower One, Kerry Plaza

1 Zhong Xin Si Road

Futian District

Shenzhen, Guangdong

the PRC

As to Cayman Island law

Appleby

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong Law

Deacons

5th Floor, Alexandra House

18 Chater Road

Central

Hong Kong

As to PRC law

Commerce & Finance Law Offices

6th Floor, NCI Tower

A12 Jianguomenwai Avenue

Beijing

the PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 1018, Tower B
Greenland Center
500 Yunjin Road
Shanghai
the PRC

Property Valuer

AVISTA Valuation Advisory Limited
23rd Floor, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

Receiving Bank

The Bank of East Asia, Limited
10 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Estera Trust (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head Office and Principal Place of Business in the PRC	Jingzhou Primary Station Dong Fang Road Economic Development Zone Jingzhou City Hubei Province the PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Joint Company Secretaries	Mr. Zhao Yonghe (趙永和) Building 1, Unit 2, Room 2201 Spring Autumn Mansion Jiangjinxi Road 236 Shashi District Jingzhou, Hubei Province the PRC Ms. Cheng Mei Chun (鄭美珍) ACS, ACIS Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised Representatives (for the purpose of the GEM Listing Rules)	Mr. Liu Yong Cheng (劉永成) Flat G, 7th Floor Phoenix Garden 92 Rua De Kunming Macau Ms. Cheng Mei Chun (鄭美珍) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION

Compliance Officer	Mr. Liu Yong Cheng (劉永成) Flat G, 7th Floor Phoenix Garden 92 Rua De Kunming Macau
Audit and Risk Management Committee	Mr. Li Wai Kwan (李偉君) (<i>Chairman</i>) Mr. Wong Chun Peng Stewart (黃俊鵬) Ms. Li Helen Hoi Lam (李凱琳)
Remuneration Committee	Mr. Wong Chun Peng Stewart (黃俊鵬) (<i>Chairman</i>) Mr. Liu Yong Cheng (劉永成) Mr. Li Wai Kwan (李偉君)
Nomination Committee	Mr. Liu Yong Cheng (劉永成) (<i>Chairman</i>) Ms. Li Helen Hoi Lam (李凱琳) Mr. Li Wai Kwan (李偉君)
Cayman Islands Principal Share Registrar and Transfer Office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 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
Compliance Adviser	Giraffe Capital Limited 22/F, China Hong Kong Tower 8-12 Hennessy Road Hong Kong

CORPORATE INFORMATION

Principal Bankers

**Agricultural Bank of China Limited
(Jingzhou Sub-branch)**

No. 50, Taqiao Road
Shashi District
Jingzhou, Hubei Province
the PRC

**Industrial and Commercial Bank of China
Limited**

(Jingzhou Sub-branch)

No. 102, Shangye Street
Weilan Shuian
Shashi District
Jingzhou, Hubei Province
the PRC

Company's Website Address

www.tl-cng.com

*(the information contained on this website
does not form part of this prospectus)*

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by F&S, in connection with the Share Offer, or the F&S Report. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and international organisations, market data providers, communications with various PRC government agencies or other independent third party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned F&S to analyse and report on the current status of, and forecasts for, the selected industries in which we operate in China. We agreed to pay F&S a fee of RMB540,000 for the preparation and use of the F&S Report. Unless otherwise indicated, market estimates or forecasts in this section represent F&S's view on the future development of the selected industries both in China and Jingzhou, Hubei Province.

Established in 1961, F&S has conducted industry research and provided market and enterprise strategies, consultancy and training services for several industries, including automobile, transportation and logistics, chemical engineering, energy and power systems, environmental protection technologies, electronics, information and telecommunication technologies, and medical and healthcare. In preparing the report, F&S has relied on the statistics and information obtained through primary and secondary research. Primary research includes interviewing industry insiders and recognised third party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by F&S over the past decades.

The forecasts were made by F&S based on the following assumptions:

- Chinese economy is expected to maintain steady growth in the forecast period;
- Chinese social, economic, and political environment is expected to remain stable and the policies on natural gas industry in China are consistent in the forecast period; and

INDUSTRY OVERVIEW

- key market drivers such as development of natural gas vehicles, growing demand for industrial use and favourable policies for natural gas industry are expected to boost the development of the natural gas operation market in China and Jingzhou, Hubei Province.

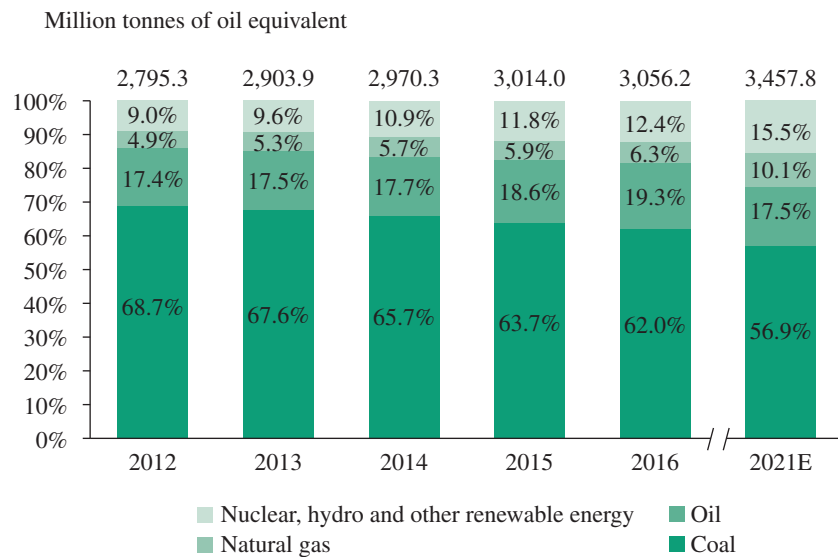
Unless expressly stated or the context requires otherwise in this section, the sales price of natural gas shall be inclusive of VAT.

OVERVIEW OF ENERGY AND NATURAL GAS INDUSTRY IN CHINA

Primary energy consumption structure in China

Along with the economic growth, China's total energy consumption increased from 2,795.3 million tonnes of oil equivalent in 2012 to 3,056.2 million tonnes of oil equivalent in 2016, representing a CAGR of 2.3%.

The following chart shows the primary energy consumption structure in China:



Source: NBS, BP Statistics 2016, F&S

China is improving its energy consumption structure by shifting from coal to cleaner energy such as natural gas, hydro, solar and wind. The proportion of natural gas consumption has increased gradually due to favorable policy and government support, increasing from 4.9% in 2012 to 6.3% in 2016, and is expected to reach 10.1% in 2021.

INDUSTRY OVERVIEW

Introduction to natural gas

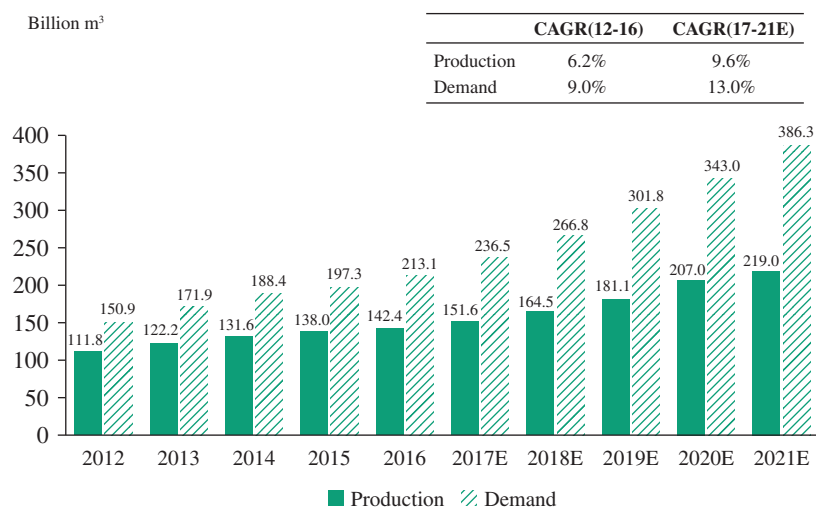
Natural gas is a kind of flammable gas that occurs deep beneath the earth's surface. Natural gas consists mainly of methane and also contains small amount of hydrocarbon liquids and non-hydrocarbon gases. Natural gas is a relatively clean fossil fuel. For same amount of heat, combustion of natural gas results in less emission of most types of air pollutants and carbon dioxide than coal or refined petroleum products. Therefore, the increasing proportion of natural gas used for power generation and transportation fuel contributes to environmental protection.

Supply and demand analysis of natural gas in China

China's natural gas demand increased significantly from 150.9 billion m³ in 2012 to 213.1 billion m³ in 2016 with a CAGR of 9.0%. Meanwhile, domestic production increased from 111.8 billion m³ in 2012 to 142.4 billion m³ with a CAGR of 6.2%. According to the 13th Five-Year Plan of Natural Gas Development (天然氣發展「十三五」規劃), the domestic production volume and the demand of natural gas is expected to reach 219.0 billion m³ and 386.3 billion m³ in 2021 as consumption of natural gas is encouraged.

By 2016, there were over 8,000 CNG/LNG gas refuelling stations in China and the number is expected to reach 12,000 by the end of 2020 according to the 13th Five-Year Plan of Natural Gas Development. The gas sales volume of gas refuelling stations accounts for over 10% of the total consumption of natural gas in China in 2016.

The following chart shows the production and demand volume of natural gas in China:



Source: NBS, BP Statistics 2016, F&S

INDUSTRY OVERVIEW

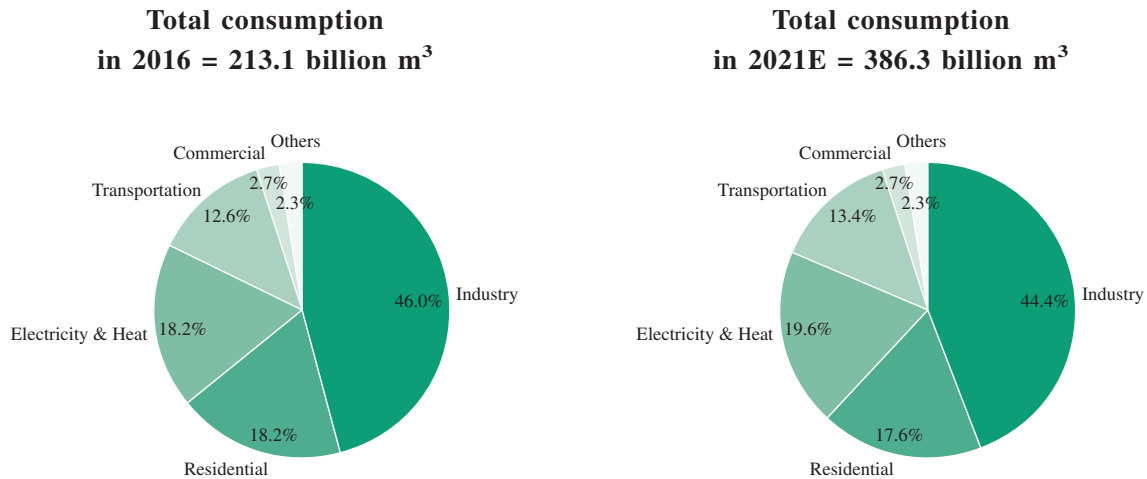
Price regulation regime of natural gas in China

In China, the NDRC determines the benchmark gate price for natural gas which varies among different provinces and cities. The prevailing benchmark gate price (VAT inclusive) ranges from RMB1.05/m³ (Xinjiang Province) to RMB2.08/m³ (Shanghai City and Guangdong Province). Different local governments set and adjust the ceiling selling price of CNG for different provinces/cities. Following the central government's effort to alleviate the intervention in natural gas pricing, several provinces, such as Jilin Province, are gradually cancelling the ceiling price of CNG for vehicle use. However, in other regions including Jingzhou, the natural gas selling price is still subject to pricing ceiling set by the local governments. The local gas station operators are free to set their sales prices below the ceiling price.

Natural gas consumption structure in China

Natural gas is consumed by six major sectors: industry, residential, electricity & heat, transportation, commercial and others.

The following chart shows the natural gas consumption structure in China in 2016 and 2021:



Source: NBS, F&S

Natural gas would substitute coal, oil or diesel used in transportation and power generation owing to its advantage in reducing air pollution. Further development of urbanisation and urban natural gas infrastructure are likely to boost residential and commercial natural gas use.

Development trends of China's natural gas operation market

Improving infrastructure. The infrastructure for natural gas transportation and distribution will be improved in the next few years, according to the 13th Five-Year Plan of Natural Gas Development. Further pipeline construction will increase accessibility of natural gas for enterprises and residents. Storage facilities of LNG and CNG can help guarantee the stable supply of natural gas.

Higher utilisation efficiency. The government encourages enterprises to utilise natural gas efficiently with advanced technology, craft and equipment, such as technologies to utilise low-concentration natural gas in power plants and equipment to reduce the natural gas wasted during facility maintenance periods for natural gas transportation enterprises.

Market-orient pricing mechanism. Traditionally, prices of natural gas are strictly regulated by the government. With the Opinions about Promoting Pricing Mechanism Reform (關於推進價格機制改革的若干意見) issued in November 2015, China has started to take steps in market reforms of natural gas pricing mechanism. The government will gradually relieve the control on natural gas price and natural gas price in China will depend more on demand and supply in the market.

Market drivers of China's natural gas operation market

Favorable policy and increasing awareness of environment protection supporting the natural gas industry. China is moving towards clean energy due to the increasing public concern about environment, in particular, worries about the growing haze and China's commitment in Paris 2015 UN Climate Change Conference push China to upgrade the energy consumption structure and replace coal with cleaner energy such as natural gas. Market-oriented reforms of natural gas intend to establish a more market-driven pricing system, which will benefit the efficient resource allocation and healthy development of natural gas industry in China. The Chinese government issued policies like Guidelines of Energy Work in 2017 (2017年能源工作指導意見), the 13th Five-year Plan of Natural Gas (天然氣發展「十三五」規劃), Opinions on Accelerating the Use of Natural Gas (關於加快推進天然氣利用的意見), and Regulations on Transportation and Distribution Prices of Natural Gas and Reducing Natural Gas Costs for Enterprises (關於加強地方天然氣輸配價格監管降低企業用氣成本的通知), which encouraged the development of natural gas industry in China.

New demand stoking natural gas operation market. The government set up the target of installing 110GW of gas-fired power generation capacity by 2020 in the 13th Five-Year Plan of Natural Gas Development. Gas-fueled vehicles are expected to be increasingly demanded due to their environmental friendliness and higher engine thermal efficiency compared with gasoline. Some provincial and municipal governments have also issued measures such as target for replacement of coal-fueled boilers and subsidies to promote shift from coal to gas for industrial boilers, which has stimulated the demand for natural gas in China in the industrial sector.

INDUSTRY OVERVIEW

Infrastructure construction increasing accessibility of natural gas. With further improvement in natural gas infrastructure, more enterprises and residents can get access to natural gas. The length of natural gas supply pipeline increases by around 50,000 km per year between 2012 and 2016. Old urban pipeline networks for manufactured gas are under process of transformation to transport natural gas. More LNG and CNG gas refuelling stations have been built all around China, promoting the development of gas-fueled vehicles and expanding the natural gas supply system.

Declining price stimulating demand. In 2015, the gate price of natural gas for non-residential sectors was reduced twice. In November 2015, the price was reduced by RMB0.7 per m³. In 2016, the government issued notifications aiming to reduce natural gas costs of enterprises. These actions will stimulate the demand for natural gas for vehicles, natural gas power generation and natural gas chemical industry.

ANALYSIS OF NATURAL GAS INDUSTRY IN JINGZHOU AND NEIGHBORING AREAS

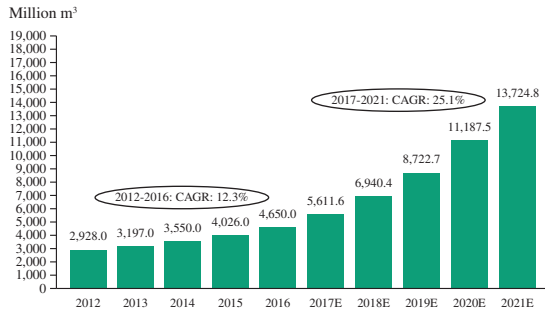
Natural gas consumption volume in Hubei & Hunan Provinces

Natural gas consumption volume in Hubei Province during 2012 to 2016 witnessed a rapid growth from 2,928.0 million m³ to 4,650.0 million m³ at the CAGR of 12.3%. The development of natural gas resources is encouraged by the government due to its advantages in environmental protection. According to the Hubei 13th Five-Year Plan of Natural Gas Development (湖北省天然氣發展「十三五」規劃), the proportion of natural gas consumption in primary energy consumption structure in Hubei Province is expected to increase from 3.4% in 2015 to 6.0% in 2020. With the improving penetration level of natural gas in urban areas as well as the substantial industrial demand for fuel, natural gas consumption volume is estimated to keep growing in the coming years to 13,724.8 million m³ in 2021, representing a CAGR of 25.1% from 2017 to 2021.

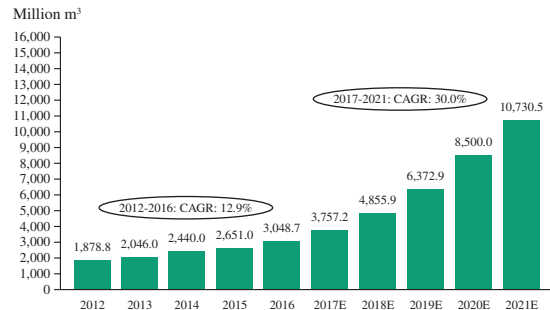
Consumption volume of natural gas in Hunan Province has increased from 1,878.8 million m³ in 2012 to 3,048.7 million m³ in 2016 with a CAGR of 12.9%. It is forecasted to maintain a faster growth rate from 2017 to 2021, at a CAGR of 30.0%. According to the Hunan 13th Five-Year Plan on Energy Development (湖南省「十三五」能源發展規劃), the proportion of natural gas consumption in primary energy consumption structure in Hunan Province is expected to increase from 2.3% in 2015 to 6.0% in 2020. In the coming years, construction of natural gas pipeline network in Hunan will be one of the development priorities. The downstream consumption of fuel gas would be mainly for urban residential, commercial and industrial use.

INDUSTRY OVERVIEW

**Natural gas consumption volume,
Hubei Province, 2012-2021E**



**Natural gas consumption volume,
Hunan Province, 2012-2021E**

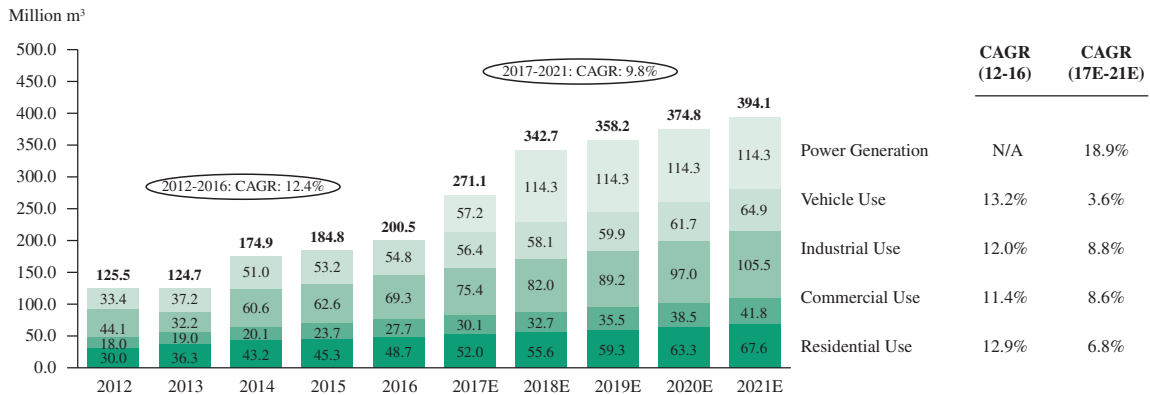


Source: NBS, F&S

Natural gas consumption volume in Jingzhou

Natural gas market in Jingzhou is generally classified into four sectors, which are residential use, vehicle use, industrial & commercial use and power generation use. The total natural gas consumption volume in Jingzhou has increased from 125.5 million m³ in 2012 to 200.5 million m³ in 2016 with a CAGR of 12.4%. In the following five years, total natural gas consumption volume in Jingzhou is expected to increase from 271.1 million m³ in 2017 to 394.1 million m³ in 2021, representing a CAGR of 9.8%.

Natural gas consumption volume, Jingzhou, 2012-2021E



Source: MOHURD, F&S

Consumption volume of natural gas used for vehicle has increased from 33.4 million m³ in 2012 to 54.8 million m³ in 2016 at a CAGR of 13.2% mainly due to the increasing number of natural gas vehicle (“NGVs”) in Jingzhou. Taking into account of the increasing popularity of NGVs, natural gas used for vehicle is expected to grow to 64.9 million m³ in 2021.

From 2012 to 2016, consumption volume in the industrial sectors had increased at a CAGR of 12.0% and consumption volume in the commercial sectors had increased at a CAGR of 11.4%. To optimise the energy consumption structure (lower reliance on coal) and control emission (substitute coal with natural gas which is cleaner), Jingzhou government has initiated

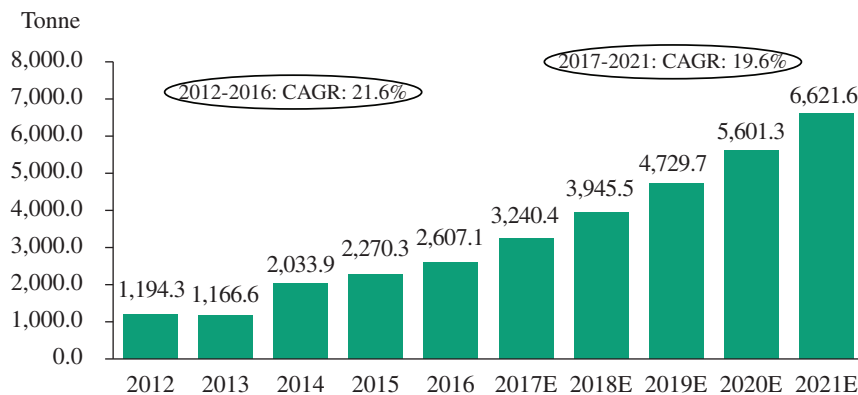
INDUSTRY OVERVIEW

fuel-switch projects for industrial boilers since 2013, aiming at gradually shifting the use from coal-fired to gas-fired boilers in the city. As a result, the number of industrial and commercial gas users in Jingzhou has increased.

Natural gas for the residential use had enjoyed a rapid growth from 2012 to 2016 at a CAGR of 12.9%. Currently natural gas is increasingly substituting coal gas and LPG as a widely used gas fuel, and Jingzhou's number of residents using natural gas is increasing as well. Also, because of the expanding coverage area of urban natural gas pipeline, Jingzhou's urban natural gas penetration is getting higher.

The consumption volume of LNG in Jingzhou has increased rapidly from 1,194.3 tonnes in 2012 to 2,607.1 tonnes in 2016, representing a CAGR of 21.6%. With continuous construction of LNG stations, the consumption volume of LNG will grow to 6,621.6 tonnes in 2021 with a CAGR of 19.6% from 2017 to 2021.

LNG consumption volume, Jingzhou, 2012-2021E



Gate price trend of natural gas in Jingzhou

Gate price refers to the price which natural gas refuelling station operators or other local natural gas suppliers pay to gas pipeline operators for natural gas. Since 2010, China has been promoting the national reform of natural gas market, and the pricing mechanism of natural gas and hence the gate price has been accordingly adjusted during the reform.

The gate price of natural gas was divided into gate price of business-as-usual (“BAU”) gas and incremental gas from July 2013 to March 2015 and then merged together again in 2015. Currently, for natural gas, the upstream gate price and downstream retail sales price in China are generally determined by the price of alternative fuels, such as crude oil price. The falling price of international crude oil has put downward pressure on the natural gas gate price in China since 2015 when the reform of natural gas mechanism furthered.

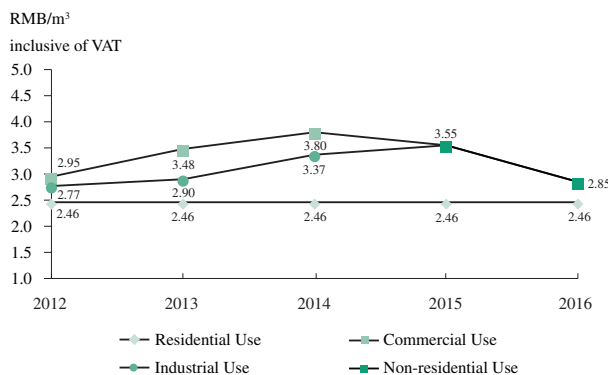
INDUSTRY OVERVIEW

Retail sales price trend of natural gas in Jingzhou

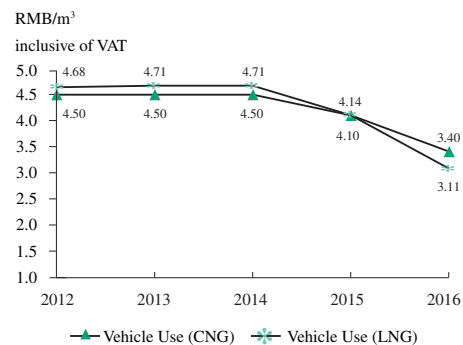
Natural gas price in Jingzhou is under the supervision and adjustment of Hubei Province Price Bureau. In addition, Jingzhou Price Bureau is responsible for the price management of natural gas. From 2012 to 2016, the price of natural gas for residential use in Jingzhou remained at RMB2.46/m³. The prices of natural gas for industrial use and commercial use have respectively increased from RMB2.77/m³ and RMB2.95/m³ in 2012 to both RMB3.55/m³ in 2015. Since 20 November 2015, the sales price of natural gas for industrial use and commercial use have converged into one single sales price of natural gas for non-residential use and this price further went down to RMB2.85/m³ in 2016. The retail price of vehicle-use CNG had remained at RMB4.50/m³ until 2014 and has been adjusted downward and reached RMB3.40/m³ in 2016. The retail price of vehicle-use LNG experienced a decrease from RMB4.71/m³ in 2013 to RMB3.11/m³ in 2016, which was lower than vehicle-use CNG in 2016.

In the future, government intervention in natural gas pricing is expected to be alleviated according to the 13th Five-Year Plan of Natural Gas Development. As a consequence, natural gas price in Jingzhou is expected to further drop as to match the lower natural gas price in the global market.

**Natural Gas Retail Price,
Jingzhou Central City, 2012-2016**



**Retail Price of Natural Gas
for Vehicle Use,
Jingzhou Central City, 2012-2016**



Source: Hubei Province Price Bureau, Jingzhou Price Bureau, F&S

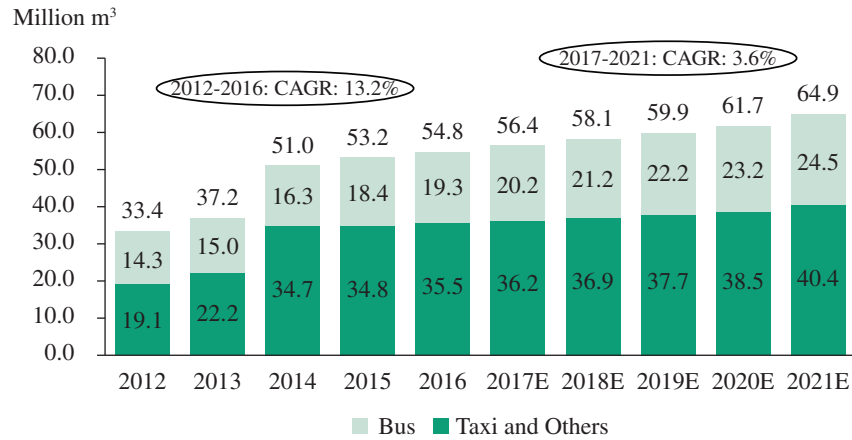
ANALYSIS OF NATURAL GAS DOWNSTREAM SUPPLIER MARKET IN JINGZHOU

Natural gas consumption volume for vehicle use in Jingzhou

Users of natural gas for vehicle use in Jingzhou can be classified into two sectors, which are buses, and taxis and others. In terms of the market size in 2016, natural gas consumption volume for total vehicle use was 54.8 million m³, among which the bus, and taxis and others accounted for 35.2% and 64.8% of the total vehicle natural gas consumption volume, respectively.

INDUSTRY OVERVIEW

Natural gas consumption volume, for vehicle use, Jingzhou, 2012-2021E

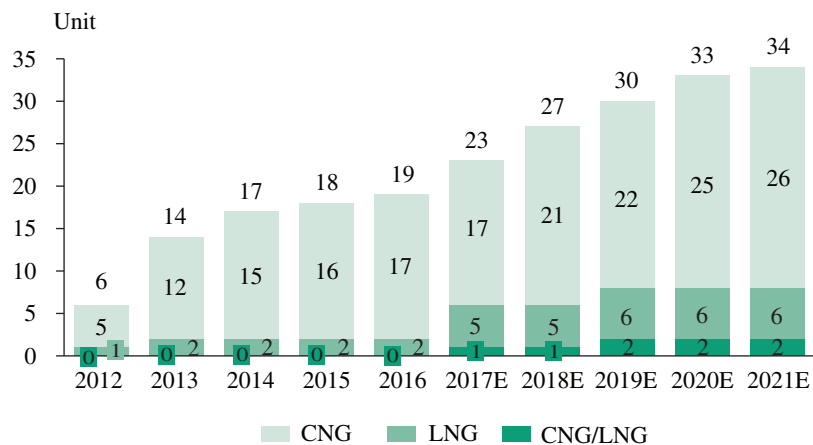


Source: Jingzhou Statistics Bureau, F&S

Number of gas refuelling stations in Jingzhou

In 2012, there were only six natural gas refuelling stations in Jingzhou. The number increased to 19 in 2016 due to the increase of natural gas consumption both in form of CNG and LNG. As of 2016, 10 gas refuelling stations located in Jingzhou central city, accounting for 53% of total gas refuelling stations in Jingzhou. In the coming years, the number of natural gas refuelling station in Jingzhou is expected to keep increasing, due to increasing consumption of natural gas out of Jingzhou central city areas. More LNG or LNG/CNG refuelling stations will be built for the increasing number of NGVs passing through Jingzhou.

Number of gas refuelling station, Jingzhou, 2012-2021E



Source: F&S

INDUSTRY OVERVIEW

Drivers of gas refuelling station market in Jingzhou

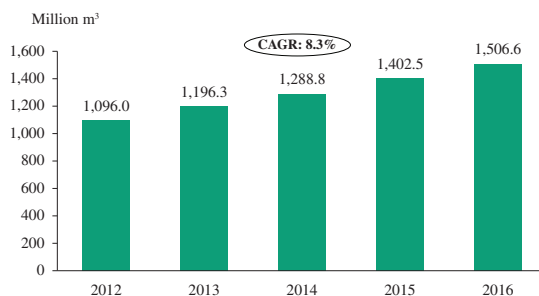
Favorable Policies for Gas Refuelling Stations. According to the Plan of Jingzhou's Urban Integrated Transportation System (2015-2030) (荊州市城市綜合交通體系規劃(2015-2030)), Jingzhou is going to increase the number of buses and taxis continuously, from around 1,000 and 2,000 units in 2016 to 1,300 and 2,200 units for bus and taxi, respectively, in the central area by 2020, and most of them are expected to be fueled by natural gas, and the local government is actively promoting clean energy in the public transportation area while use of electric vehicles is still restrained due to high investment and maintenance cost in Jingzhou.

Development of Natural Gas Vehicles. Jingzhou has actively promoted the usage of natural gas vehicles so to promote environmental protection and a better fuel economy, especially in the public transportation system. The growth of urban population from 2.8 million in 2014 to 3.0 million in 2016 had led to the increasing demand for vehicles and public transportation in Jingzhou. Over 90% and around 80% of the buses and taxis were and are expected to be fueled by natural gas in Jingzhou central area in 2016 and 2021, respectively. With the continuous development of the public transportation system which keeps a high proportion of NGVs, the cumulated number of NGVs in Jingzhou is expected to grow, which will drive the market demand for natural gas refueling station.

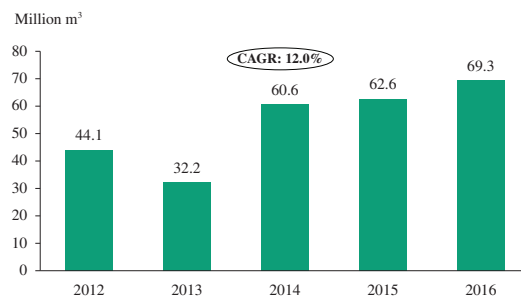
Natural gas consumption for industrial use in Jingzhou and neighboring areas

Natural gas consumption volume for industrial use in Hubei Province and Jingzhou increased significantly in the past few years as the PRC government published numerous policies in terms of air pollution protection and development and utilisation of natural gas. The implementation of these policies encouraged and adopted the primary energy consumption of industrial facilities from coal to natural gas in Jingzhou and Hubei Province. The industrial natural gas consumption volume in Hubei Province increased from 1,096.0 million m³ in 2012 to 1,506.6 million m³ in 2016, with a CAGR of 8.3%. The industrial natural gas consumption volume in Jingzhou increased from 44.1 million m³ in 2012 to 69.3 million m³ in 2016, with a CAGR of 12.0%.

**Industrial Natural Gas Consumption
Volume, Hubei Province, 2012-2016**



**Industrial Natural Gas Consumption
Volume, Jingzhou, 2012-2016**



Source: MOHURD, F&S

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Drivers of natural gas market for industrial use for Jingzhou and neighboring areas

Favorable Policies for Natural Gas Industry. China's government has issued a series of policies to promote the development of natural gas industry and natural gas refueling station market. Hubei Province issued Construction Plan of Natural Gas Refueling Station of Hubei Province in 2015 (2015年湖北省天然氣加氣站建設計劃), Hubei Price Bureau's Reply to Transportation Price of Natural Gas Pipelines from Jingzhou to Shishou to Gong'an (湖北省物價局關於荊州至石首至公安天然氣管道運輸價格的批覆), Notice on Hubei's construction and filing of natural gas refueling station in 2014 (關於下達2014年湖北省天然氣加氣站建設計劃並做好項目備案等工作的通知), and Implement Plan of Air Pollution Protection and Governance in Hubei Province 2017 (2017年湖北省大氣污染防治工作實施方案), which encouraged the application of natural gas in Jingzhou. Jingzhou has issued Implement Plan of Air Pollution Protection and Governance in Jingzhou 2016 (荊州市2016年度大氣污染防治實施方案) and Forwarding of NDRC's Notice on Lowering the Gate Price of Non-residential Natural Gas and Promoting Marketization Reform by Hubei Price Bureau (省物價局關於轉發國家發展改革委降低非居民用天然氣門站價格及進一步推進價格市場化改革的通知), which encourages supply and adoption of clean energy including natural gas in Jingzhou to reduce emission of air pollutants. Coal-fired power plants are encouraged to be replaced by gas-fired power generation facilities according to Implementation Scheme of the Abandonment of Coal-fired boiler in Jingzhou's Central City Area (荊州市中心城區淘汰燃煤鍋爐實施方案), which promotes the use of natural gas. Other cities close to Jingzhou also issued policies which stimulate natural gas industry in Jingzhou, for example, Jingmen issued Plan of Air Pollution Protection and Governance in Jingmen (2015-2020) (荊門劃市大氣污染防治規劃(2015年-2020年)) and Xiantao issued Notice on Implement Plan of Air Pollution Protection and Governance in Xiantao (關於印發仙桃市大氣污染防治行動計劃的通知).

Growing Demand for Industrial Use. To optimise the energy consumption structure and control emission of air pollutants, Jingzhou has initiated fuel-switch projects for industrial boilers, aiming at gradually replacing coal-fired boilers by cleaner gas-fired boilers. The value added of the industrial sector in Jingzhou increased from RMB21 billion in 2012 to RMB28 billion in 2016, indicating a fast industrial development leading to increasing energy consumption. As natural gas refueling station also provides natural gas for CNG and LNG tankers which supply gas for industrial users, the increase of consumption of natural gas in the industrial sector will boost the demand for gas refueling stations.

Analysis of volume difference

The difference between the volume of gas purchased and gas sold is commonly observed for natural gas operators, which may be attributable to several factors as followed:

Accuracy of measuring instruments. While the accuracy of (i) gas meters at gate station measuring gas received from suppliers and (ii) gas meters in gas refuelling stations measuring gas provided to customers are relatively high with error up to $\pm 1.0\%$, respectively, the diaphragm gas meters used by residential, industrial and commercial users normally have lower accuracy. In addition, the ultrasonic flow meter is adopted for receiving natural gas from supplier. The accuracy of ultrasonic flow meter is likely to be affected by the contaminated ultrasonic detector or the noise from regulating valves or rectifiers if they are installed too close to the meter.

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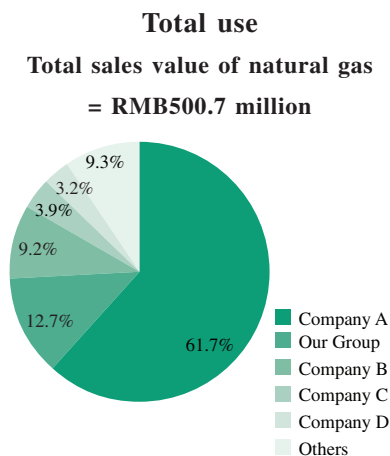
Influence of temperature and pressure. As gas volume is affected by temperature and pressure, a reference condition (20°C and 101.325kPa in China) is set for conversion between the actual gas volume and standard gas volume. Adoption of different standards or errors in measuring gas temperature and pressure will lead to measuring difference.

Difference between mass flow meter and volume flow meter. Gas meters in gas refuelling stations are usually mass flow meters which measure mass flow rate and then convert gas mass to gas volume while gas inflow meters usually measure volume flow rate. Moisture in the gas flow will lead to measuring difference under the two types of gas meter.

In summary, with all the above mentioned factors combined, it is possible to observe a difference with a range of $\pm 5.0\%$ between gas purchase and sales volume.

Competitive landscape

The total sales value of natural gas in Jingzhou in 2016 was RMB500.7 million. Top five players accounted for approximately 90.7% of the market. Our Group ranked the second both in terms of sales volume and sales value of natural gas, with a market share of 12.8% and 12.7%, respectively. The following chart shows the market share of major players in the natural gas market in terms of sales value in Jingzhou in 2016:

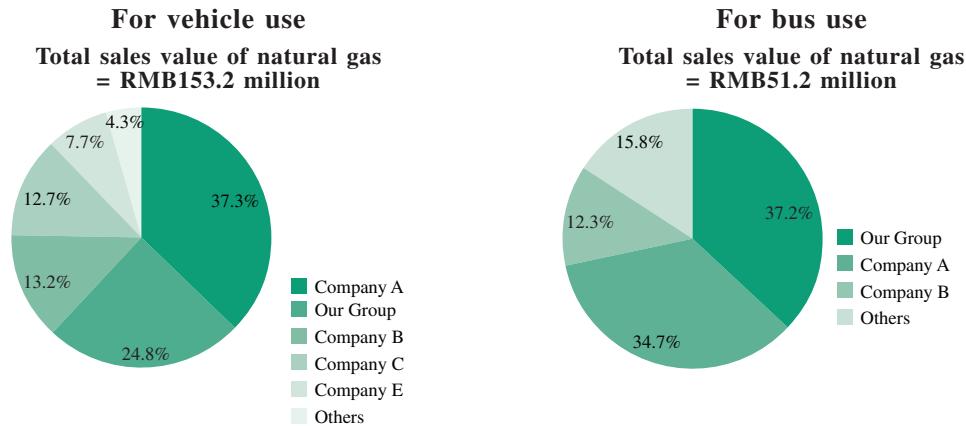


Source: F&S

The total sales value of natural gas for vehicle use in 2016 was RMB153.2 million. Top five players accounted for approximately 95.7% of the market. Our Group ranked the second in this market segment, both in terms of sales volume and sales value of natural gas, with a market share of 25.2% and 24.8%, respectively. The sales value of natural gas used for bus use in 2016 was RMB51.2 million. The market segment is highly concentrated, with 84.2% market share by the top three players. Our Group ranked as the first place, both in terms of sales

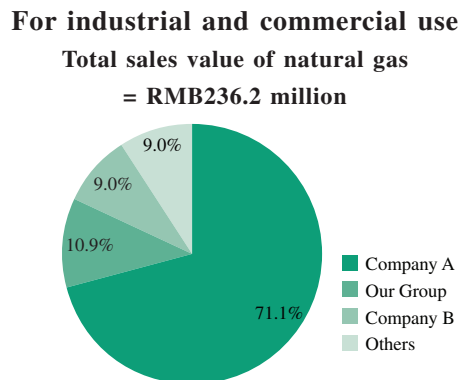
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volume and sales value of natural gas, with a market share of 38.5% and 37.2%, respectively. The following chart shows the market share of major players in the natural gas market for overall vehicles and for buses in terms of sales value in Jingzhou in 2016:



Source: F&S

The sales value of natural gas used for industrial and commercial use in 2016 was RMB236.2 million. Our Group ranked the second both in terms of sales volume and sales value of natural gas, with a market share of 12.3% and 10.9%, respectively. The following chart show the market share of major players in the natural gas market for buses and industrial and commercial use in terms of sales value in Jingzhou in 2016:



Source: F&S

Some of the leading market players are building new CNG refuelling stations in Jingzhou to secure their market share. For example, Company A plans to build a new CNG refuelling station for vehicles in Jingzhou, and two gasoline and CNG refuelling stations of Company C are under construction in Jingzhou.

Company A is a local company mainly engaging in natural gas pipeline installation, natural gas delivery and distribution, and urban gas operation business in Jingzhou central area. Its revenue generated from natural gas business was around RMB309.6 million in 2016.

Company B is a local company mainly engaging in natural gas pipeline installation, natural gas supply and operation in Jingzhou central area. Its revenue generated from natural gas business was around RMB46.1 million in 2016.

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Company C is a branch of a large state-owned oil refining and petrochemical enterprise, with the business in petroleum and natural gas in Jingzhou. Its revenue generated from natural gas business was around RMB19.5 million in 2016.

Company D is a subsidiary of a large cross-regional energy supplier in Jingzhou, focusing on natural gas pipeline installation and natural gas supply. Its revenue generated from natural gas business was around RMB15.7 million in 2016.

Company E is established by two large energy groups, with major business in LNG application in Hubei Province. Its revenue generated from natural gas business was around RMB13.0 million in 2016.

Entry barriers of natural gas downstream supplier market

Regulatory qualification. Natural gas operation belongs to public utility services. Policy plays an important role in this industry. Operators of vehicle natural gas refuelling stations are required to obtain authorisation from the local government and undergo strict investigations before, during and after the construction of the station, which restricts new players from entering into the market.

Economies of scale. Economies of scale exist in the natural gas industry. Earlier entrants have formed strong first-mover advantage by constructing gas infrastructure including pipelines and primary stations in prime regions. For new market entrants, developing new clients in regions already covered by existing player is difficult and involves high costs.

Capital requirement. The natural gas industry is a capital-intensive industry. New entrants have to invest heavily in the construction of gas infrastructure such as pipeline networks and gas stations, and the construction periods are usually quite long. Additionally, routine maintenance costs are high for market entrants during their infant stage.

Supplier relationship. Natural gas is the strategic resource in China that is controlled by only a few state-owned enterprises such as China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corporation (Sinopec) and China National Offshore Oil Corporation (CNOOC), all of which ultimately determine natural gas prices in accordance to the direction of the NDRC. It is common industry practice to source natural gas directly from a single supplier. Take-or-pay obligation is common between local gas supplying companies and upstream natural gas suppliers. However, in general practice, upstream suppliers do not enforce such obligation in the event of purchase shortfall. Nevertheless, good relationship with these gas suppliers is needed to obtain the stable and reliable supply of natural gas. This can be a barrier for market entrants, which may have a hard time developing relationships with upstream natural gas suppliers.

Local brand recognition. End-users usually prefer going to well-established and reputable natural gas suppliers. Market entrants may face difficulties gaining popularity in the market during their early stage.

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ANALYSIS OF NATURAL GAS VEHICLE MARKET IN JINGZHOU

Introduction to CNG, LNG and NGV

LNG and CNG are two common states of natural gas in its application. LNG and CNG are alternative products to each other in various applications. LNG is a liquid fuel which has to be stored in a vacuum-insulated tank while CNG is a gas fuel which is normally stored in cylinders. LNG has higher energy density than CNG thus it is more suitable for long-distance transportation; however, it is also more costly to produce LNG and adapt a vehicle for running on LNG. It is a common practice for LNG refuelling stations and LNG trading companies to procure LNG from giant or large-scale energy conglomerates which possess liquefaction plant to convert natural gas into LNG. As they can be transported by tankers, both LNG and CNG provide an access to natural gas for commercial or industrial use in regions where gas pipelines are not deployed.

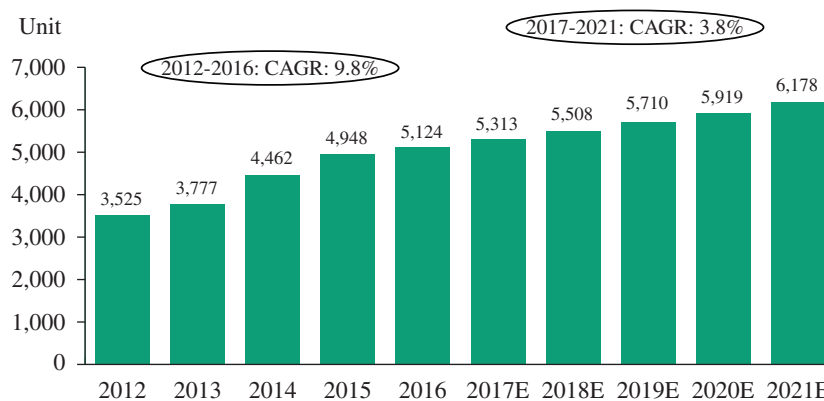
A NGV is an alternative-fuel vehicle that uses natural gas as the fuel.

By fuel type, NGVs can be classified into LNG vehicle and CNG vehicle. Currently in China, due to the early development of CNG technology, CNG vehicles account for the majority of the NGV population. However, with the spread of LNG refuelling infrastructure, China's LNG vehicle market is experiencing rapid growth.

Market size of NGV in Jingzhou

Almost all the NGVs in Jingzhou are CNG vehicles. The LNG gas refuelling stations in Jingzhou mainly serve for LNG passenger vehicles and LNG freight vehicles which pass by Jingzhou. The majority of NGVs in Jingzhou are buses and taxis. The number of NGVs in use in Jingzhou has increased steadily from 3,525 in 2012 to 5,124 in 2016 at a CAGR of 9.8% and is estimated to grow to 6,178 in 2021, representing a CAGR of 3.8% from 2017 to 2021.

Number of NGVs in use, Jingzhou, 2012-2021E



Source: F&S

Market drivers of NGV market in Jingzhou

Imminent need of environmental protection. Air pollution has been a severe challenge for cities in China and attracted intensive public attention. Emission from gasoline vehicles has been identified a major contributor to air pollution in many cities. Natural gas is a clean fuel with lower emission of carbon dioxide, sulphur oxide and nitrogen oxide. The development of NGVs is promoted by both the local and national government in order to alleviate the air pollution.

Improving natural gas refuelling infrastructure. In central city of Jingzhou, the number of gas refuelling stations has reached 10 at the end of 2016. The Jingzhou government has also planned the construction of additional 14 LNG and CNG gas stations in 2016. The improving gas refuelling infrastructure in Jingzhou is expected to boost the local NGV market by promoting the use of NGVs.

Falling price of natural gas. In 2016, Jingzhou Price Bureau announced a cut on natural gas price for non-residential sectors including transportation. Falling gas price will strengthen the cost competitiveness of NGV, rendering the purchase of or shifting to NGVs more attractive.

Favorable policy support. In the Energy Development Strategy Action Plan (2014-2020) (能源發展戰略行動計劃(2014-2020年)), the Chinese government emphasised its target to increase the percentage of natural gas consumption and its support for the development of NGVs. In addition, the Implement Plan of Air Pollution Protection and Governance 2016 of Jingzhou encourages the development of natural gas industry and NGVs in Jingzhou.

Competition from New Energy Vehicles

Electric vehicle provides an alternative to NGVs for clean energy solution of transportation. The electric vehicle industry has witnessed a rapid growth during 2014 and 2016 and the technologies for electric vehicles have seen fast development in China. The rapid growth of EVs in China in recent years is supported by government policies and plans, including Development Plan of Energy Saving and New Energy Automotive Industry (2012-2020) (節能與新能源汽車產業發展規劃(2012-2020年)) and Development Guidelines of Electric Vehicle Charging Infrastructure (2015-2020) (電動汽車充電基礎設施發展指南(2015-2020年)). China's government also promoted EVs by means of subsidies and tax exemption on both national and provincial level. However, the subsidies from central government will decline by 20% in 2017 and 2018 and by 40% in 2019 and 2020 from that in 2016, according to Notice on Financial Support for Promotion of New Energy Vehicle from 2016 to 2020 (關於2016-2020年新能源汽車推廣應用財政支持政策的通知). In Jingzhou, 100 electric buses were purchased to join the public transportation fleet in 2016 as a part of new energy vehicle pilot scheme. Currently, the development of electric vehicles in Jingzhou is still restrained by high maintenance cost due to replacement of batteries and lagging deployment of electric charging infrastructure. In addition, due to high upfront of investment of electric buses, the purchase decision currently depends heavily on central government subsidies, which are subject to

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gradual downward adjustment and uncertainties as a result of investigations of subsidy fraud in 2016. As at the end of 2016, the share of electric buses among all buses was only around 5% and is expected to grow to around 9% in 2020 in Jingzhou. The total number of electric vehicles was less than 150 in 2016 and is expected to reach around 1,700 in 2020, and the share of all electric vehicles among all automobiles was less than 0.05% in 2016 and is expected to increase to around 0.4% in 2020 in Jingzhou. The electric vehicle will only pose threat for NGVs and hence the natural gas refueling market in a longer term.

Natural gas vehicles are expected to increase from 2016 to 2020 with a CAGR of 12.9% to 9.6 million units in China while non-natural gas vehicles are expected to increase during the respective period with a CAGR of 8.0% to 244.1 million units. In the near term, natural gas vehicles will not directly compete with electric vehicles as (i) electric vehicles only accounted and are expected to account for 0.6% and 2.0% of all automobiles in China in 2016 and 2020, respectively; and (ii) both natural gas vehicles and electric vehicles are clean alternatives for traditional gasoline vehicles. Both new electric vehicles and natural gas vehicles are promoted in China and Hubei Province, according to the Comprehensive Working Plan for Energy Saving and Emission Reduction during the 13th FYP (“十三五”節能減排綜合工作方案) in both China and Hubei Province.

REGULATORY OVERVIEW

REGULATIONS

Set out below is a brief overview of the significant aspects of the PRC laws and regulations relating to our business operations in the PRC.

NATURAL GAS UTILISATION

National Regulation

On 19 November 2010, the State Council promulgated Regulation on the Administration of Urban Gas (城鎮燃氣管理條例), effective as from 1 March 2011, and subsequently amended on 6 February 2016 (the “**Regulation**”). The Regulation aims to strengthen the administration of urban gas, guarantee gas supply, prevent and reduce gas safety accidents, safeguard the life and property safety of citizens and the public safety, protect the legitimate rights and interests of gas operators and gas users and promote the healthy development of gas industry.

The Regulation shall mainly apply to urban gas development planning and emergency guarantee, gas operation and service, gas usage, gas facilities protection, prevention and handling of gas safety accidents and relevant administrative activities and mainly includes:

Gas development planning

Based on the national economic and social development planning, overall land use planning, urban-rural planning and energy planning, and taken into account the balance of total resources in China, competent construction department and relevant departments under the State Council shall organise the formulation and implementation of national gas development plan. Based on the national economic and social development planning, overall land use planning, urban-rural planning, energy planning and gas development planning of the authority at the next higher level gas management departments under local people’s governments at or above the county level and relevant departments shall organise the formulation of gas development plans for local administrative regions, which shall be implemented upon approval by the people’s governments at the same level and reported to gas management departments under people’s governments for filing at the next higher level.

Gas operation and service

Gas operators for state-invested urban gas facilities will be selected through a bidding process. For social capital invested facilities, investors may operate the gas facilities on their own or select a third party gas operator.

The state implements a licence system for gas operation and prohibits individuals from engaging in piped natural gas operation. Enterprises meeting provisions of the Regulation will be granted with gas operation licence certificate by the gas management departments under the local people’s government at or above the county level.

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Gas selling price shall be determined reasonably and adjusted responsively according to purchase cost, operating cost and local economic and social development level. In determining and adjusting gas selling price, competent pricing bureaus under local people's government at or above the county level shall seek opinions from piped natural gas users, piped natural gas operators and relevant parties.

Gas usage

Gas users shall, in compliance with gas safety regulations, use qualified gas burners and gas cylinders, promptly replace gas burners, connecting pipes, etc. which have been eliminated by the state through official order or have reached the end of their service life, and pay gas fees as per the specified schedule.

Protection of gas facilities

To carry out alteration in municipal gas facilities, gas operators shall prepare and submit alteration plans for the approval of the gas management departments under local people's government at or above the county level.

Prevention and handling of gas safety accidents

Gas operators shall formulate emergency plans for gas safety accidents, assign emergency staff, provide necessary emergency facilities and equipment, organise regular drilling, establish sound gas safety evaluation and risk management system and take responsive measures to avoid possible gas safety accidents.

The Safety Supervision of Gas Cylinders

On 24 April 2003, the General Administration of Quality Supervision, Inspection and Quarantine promulgated the Safety Supervision of Gas Cylinders (氣瓶安全監察規定), effective as from 1 June 2003 and amended on 25 August 2015. The Safety Supervision of Gas Cylinders aims to enhance the safety supervision of gas cylinders, ensure safe use of gas cylinders and protect the safety of the people's life and properties.

Pursuant to the Safety Supervision of Gas Cylinders, the entities filling gas cylinders shall apply to the special equipment safety supervision and inspection authority at provincial level in writing. Qualifiers will be granted the Licence for Filling Gas Cylinders by the quality supervision authority at provincial level. Those have no Licence for Filling Gas Cylinders shall not engage in filling gas cylinders.

The effective term of the Licence for Filling Gas Cylinders is four years. Prior to the expiration, the entities filling gas cylinders shall apply to the original approval authority for the renewal of the Licence for Filling Gas Cylinders. Those that do not make application according to the provisions or are not permitted for renewal of the Licence for Filling Gas Cylinders shall not continue to engage in filling gas cylinders upon the expiry.

Local Regulation

On 28 July 2007, the Standing Committee of Hubei Provincial People's Congress adopted Regulations of Hubei on the Administration of Gas (湖北省燃氣管理條例), effective as from 1 October 2007. On 13 May 2013, Jingzhou Municipal People's Government promulgated Measures of Jingzhou on the Administration of Gas (荊州市燃氣管理辦法), effective as from the same day.

The abovementioned regulations and measures specify the planning, construction and operation of natural gas, piped natural gas concession system, gas usage, gas burners and gas safety in Hubei Province and Jingzhou City and mainly include:

Gas planning and Construction

Based on national economy, social development planning, and overall city planning, gas management department shall organise and formulate gas professional planning, which shall be implemented upon approval by the people's government at the same level and be filed with gas management departments at the next higher level. The construction, modification and expansion of gas projects, and layout of gas operations shall conform to the gas professional planning and be approved by the gas management departments. Gas projects are subject to environment impact assessment and safety assessment system in accordance with law.

After completion of gas projects, the construction units shall organise examination and acceptance in accordance with law. Projects that have not been examined and accepted or have failed in the examination shall not be delivered for use. After completion and acceptance of gas projects, construction units shall report the projects to competent governmental departments for filing in accordance with relevant provisions of the state.

Gas operation

Gas operator shall meet the conditions the state requires and obtain the gas operation licence certificate from the competent administrative department before it engages in gas operation. Besides, gas operator shall engage in gas operation in accordance with the business scope, type, mode, region, and timeframe provided under the gas operation licence certificate. Piped natural gas operation is based on a concession system. Piped natural gas operator shall obtain concession granted by gas management department, and sign concession agreements with gas management department in accordance with the relevant regulations. Gas operator shall obtain the approval from gas management department before setting up gas supplying station or depot. Bottled gas operators shall even obtain bottled gas business licence issued by quality supervision department before it engages in the operation.

Gas operator shall charge in line with the gas service items and charging standard decided by competent pricing bureaus. Gas selling price shall be determined and timely adjusted according to purchase cost, operating cost, and the local economic and social development level. Prior to determination and adjustment of the charge standard of piped natural gas by competent pricing bureaus, public consultation shall be conducted according to the relevant laws.

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Gas usage

Within the protection scope of gas facilities, gas operator shall set up gas facility safety devices and safety warning signs in accordance with relevant regulations, and assign responsible persons for routine patrol, examination, repairs and maintenance of the safety devices and safety warning signs, ensuring the safety use of the gas facilities.

Gas burner

Gas operator shall obtain the production licence, product quality certification, and quality inspection qualified report before it engages in the sale of the gas burners. The gas management departments shall check the relevant certificates of the gas operators engaged in the sale of the gas burners, and publish the relevant certificates held by the local sales companies, test results, gas type and gas composition of the region, and other information on the government websites or through relevant media.

Gas safety

Gas operator shall formulate the contingency plan of gas safety accidents, equipped with emergency vehicle and appliance, and provide rescue personnel with specialised trainings regularly. Gas operator shall timely dissuade and stop gas usage behaviors which could endanger public security or result in serious security risks.

PRICE DETERMINATION REGIME OF NATURAL GAS

On 29 December 1997, the Standing Committee of the National People's Congress (the "SCNPC") promulgated the PRC Pricing Law (中華人民共和國價格法), effective as from 1 May 1998. According to the PRC Pricing Law, the government is implementing and gradually optimising the pricing mechanisms mainly formed by the market under macroeconomic control policies. Most merchandise and services adopt the market price. Only very few merchandise and services are priced according to government guidance or priced by the government. Market price refers to the price set by operators in accordance with production and operating costs and market demand and supply. The government may enforce government-guided prices or government-set prices when necessary for the prices of the following commodities and services: (i) the prices of an extremely small number of commodities vital for the development of the national economy and people's life; (ii) the prices of a small number of commodities the resources of which are rare or short; (iii) the prices of commodities under natural monopoly management; (iv) the prices of essential public utilities; and (v) the prices of essential non-profit services. For the pricing of merchandise and services, in addition to the adoption of the government-guided price or the government-set price in accordance with the aforesaid requirements, merchandise and services could be priced according to the market price, which is set by operators.

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The competent department for pricing and other departments concerned under the State Council shall determine the government-guided prices and government-set prices in pursuant to the pricing authority and the specific applicable scope provided for in the Central Pricing Catalog (中央定價目錄), among which the government-guided prices and government-set prices of essential commodities and services shall be submitted to the State Council for approval in accordance with provisions.

The competent departments for pricing and other departments concerned under the people's governments of provinces, autonomous regions and municipalities directly under the PRC government shall determine the government-guided prices and government-set prices for implementation in their respective areas in pursuance of the pricing authority and specific applicable scope provided for in the Local Pricing Catalogs (地方定價目錄).

The people's government of cities and counties may, in accordance with the authorisation of people's governments of the provinces, autonomous regions and municipalities directly under the PRC government and in pursuance of the pricing authority and specific applicable scope provided for in the Local Pricing Catalogs, determine the government-guided prices and government-set prices for implementation in their respective areas.

On 18 November 2015, the NDRC promulgated the Notice of the NDRC on the Lowering Non-Residential Natural Gas Gate Prices and Further Promoting the Reform of the Market Price (the **"2015 NDRC Notice"**) (國家發展改革委關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知), effective as from 20 November 2015. According to the 2015 NDRC Notice, the ceiling city station gate price for non-residential users in China's 29 provinces, regions and municipalities shall be reduced by RMB0.7/m³. In addition, the existing pricing mechanism of natural gas shall be reformed by introducing benchmark city station gate prices of non-residential natural gas, which would replace the ceiling city station gate prices. Under the new mechanism, the industry players are allowed to charge up to 20% more than benchmark city station gate prices based on supply and demand, and there is no downward limit for price fluctuations.

On 19 November 2015, the Hubei Price Bureau forwarded the 2015 NDRC Notice (the **"2015 HBPB Notice"**) (省物價局關於轉發國家發展改革委降低非居民用天然氣門站價格及進一步推進價格市場化改革的通知). According to the 2015 HBPB Notice, benchmark city station gate prices of non-residential natural gas in Hubei Province shall be RMB1.96/m³ (VAT included) from 20 November 2015. Competent departments for pricing at city level of Hubei Province shall timely appraise and decide the local selling price of natural gas and strengthen price supervision and inspection. On 20 November 2015, the Jingzhou Price Bureau promulgated the Notice on Adjustment of Non-Residential Usage Natural Gas Sales Prices in the Jingzhou Area (the **"2015 JZPB Notice"**) (荊州市物價局關於調整荊州城區非居民用天然氣銷售價格的通知). According to the 2015 JZPB Notice, the maximum selling price for non-residential natural gas within Jingzhou City shall be adjusted to RMB2.85/m³ from RMB3.55/m³ (inclusive of VAT) while the maximum selling price for vehicular natural gas within Jingzhou City shall be adjusted to RMB3.40/m³ from RMB4.10/m³ (inclusive of VAT). The pricing adjustment policy has become effective from 20 November 2015. Natural gas

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companies may negotiate a specific price with public transport users and non-residential users demanding more natural gas, as long as such price does not exceed the maximum selling price. On 18 October 2016, the Jingzhou Price Bureau further promulgated the Notice on Reduction of the Enterprise Cost of Gas (荊州市物價局關於降低企業用氣成本的通知), according to which, the maximum selling price for non-residential natural gas within Jingzhou city shall be adjusted to RMB2.81/m³ from RMB2.85/m³ (inclusive of VAT) while the maximum selling price for CNG shall be adjusted to RMB3.36/m³ from RMB3.40 per m³ (inclusive of VAT).

On 29 August 2017, the NDRC promulgated the Notice of the NDRC on the Lowering of the Benchmark City Station Gate Prices of Non-Residential Natural Gas (國家發展改革委關於降低非居民用天然氣基準門站價格的通知) (the “**2017 NDRC Notice**”), effective as from 1 September 2017. According to the 2017 NDRC Notice, the benchmark city station gate prices of non-residential natural gas in China’s 29 provinces, regions and municipalities shall be reduced by RMB0.1/m³.

On 31 August 2017, the Hubei Price Bureau forwarded the 2017 NDRC Notice (the “**2017 HBPB Notice**”) (省物價局關於轉發國家發展改革委降低非居民用天然氣基準門站價格的通知). According to the 2017 HBPB Notice, benchmark city station gate prices of non-residential natural gas in Hubei Province shall be adjusted to RMB1.86/m³ (VAT included) from 1 September 2017. On 1 September 2017, the Jingzhou Price Bureau promulgated the Notice on the Lowering of Non-Residential Usage Natural Gas Sales Prices in the Jingzhou Area (the “**2017 JZPB Notice**”) (荊州市物價局關於降低荊州城區非居民用天然氣銷售價格的通知). According to the 2017 JZPB Notice, the maximum selling price for non-residential natural gas within Jingzhou City shall be adjusted to RMB2.69/m³ from RMB2.81/m³ (inclusive of VAT) while the maximum selling price for vehicular natural gas within Jingzhou City shall be adjusted to RMB3.24/m³ from RMB3.36/m³ (inclusive of VAT) from 1 September 2017.

FOREIGN INVESTMENT

Companies with limited liability and joint stock companies with limited liability established and operating in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法, the “**PRC Company Law**”), which was passed by the SCNPC on 28 December 1993 and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. The PRC Company Law was most recently amended by the SCNPC on 28 December 2013 and became effective from 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution. A foreign-invested company incorporated in the PRC is also subject to the PRC Company Law, unless otherwise provided in the PRC foreign investment laws.

The establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labour matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated by

REGULATORY OVERVIEW

the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016 respectively and became effective from 1 October 2016, and the Implementation Rules of the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), which were promulgated by the Department of the Foreign Economic and Trade of the PRC on 12 December 1990 and amended by the PRC State Council (the “**State Council**”) on 12 April 2001 and 19 February 2014.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄 (2017年修訂), the “**Catalogue**”), the latest version of which was promulgated by the NDRC and the PRC Ministry of Commerce (“**MOFCOM**”) on 28 June 2017 and will become effective from 28 July 2017. The Catalogue is a longstanding tool that PRC policymakers have used to manage and direct foreign investment. The Catalogue has been divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and the industries which are not listed in the Catalogue shall be classified as the permitted industries for foreign investment unless specifically barred in other PRC regulations. The operating business of Tonglin Gas falls into the permitted industries for foreign investment.

TAXATION IN CHINA

Enterprise Income Tax

According to the EIT Law of the PRC (中華人民共和國企業所得稅法), which was passed by the National People’s Congress in China (the “**NPC**”) on 16 March 2007, came into effect on 1 January 2008, and was amended on 24 February 2017 and its Implementation Regulations (中華人民共和國企業所得稅法實施條例), which were promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or which are incorporated pursuant to the foreign laws with their “de facto management bodies” located in the PRC, are deemed “resident enterprise” and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

Value-added Tax

The Interim Regulations on Value-added Tax of the PRC(中華人民共和國增值稅暫行條例), which were promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and were amended on 10 November 2008 and 6 February 2016 respectively,

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and the Implementation Rules of the Interim Regulations on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), which were promulgated by the PRC Ministry of Finance (the “MOF”) and became effective on 25 December 1993, and were amended on 15 December 2008 and 28 October 2011 (effective from 1 November 2011), set out that sale of goods, provision of processing services, repair and replacement services, and import and export goods within the PRC are subject to the payment of VAT. The VAT payable is calculated as “output VAT” minus “input VAT” and the VAT rate is 17% or in certain limited circumstances 13%, depending on the products, except for a small-scale taxpayer under the Interim Regulations on Value-added Tax of the PRC. The Circular on Policies for Simplifying and Consolidating Value-added Tax Rates, which were promulgated by the MOF and the State Administration of Taxation (the “SAT”) (關於簡併增值稅稅率有關政策的通知) on 28 April 2017, effective from 1 July 2017, taxpayers that sell or import the natural gas will be subject to VAT at the 11% rate. Save as otherwise specified in the aforesaid regulations, the VAT rate shall be 11% for selling or importing natural gas.

According to the Notice of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (關於全面推開營業稅改徵增值稅試點的通知) and its appendixes as promulgated by the MOF and the SAT on 23 March 2016, effective from 1 May 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT.

Withholding Income Tax

Pursuant to the EIT Law, dividend generated after 1 January 2008 and payable by a foreign-invested enterprise in the PRC to its foreign investors are subject to a 10% withholding income tax, unless otherwise provided in the tax treaty concluded between the PRC and such foreign investor’s jurisdiction of incorporation.

Pursuant to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Tax Treaty**”) concluded on 21 August 2006, the applicable withholding income tax rate for any dividend declared by a Chinese company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法) (the “**2015 Administration Measures**”), which was promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with the PRC competent tax authority is no longer required before a non-resident taxpayer can enjoy the preferential tax treatment under the relevant treaties. A non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the preferential tax treatment under the relevant provisions of a tax

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treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the preferential tax treatment, the non-resident taxpayer shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the preferential tax treatment, ask for supplemental documents from the non-resident taxpayer or, if the non-resident taxpayer is deemed not eligible for the preferential tax treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible.

FOREIGN EXCHANGE

The foreign exchange control in the PRC is mainly regulated by the Foreign Exchange Control Regulations of the PRC (中華人民共和國外匯管理條例), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008, respectively. According to the aforesaid regulations, payments of current account items, including profit distributions, interest payments and expenditure from the trade-related transactions, can be made in foreign currencies without the prior approval from the foreign exchange administration, by complying with certain procedural requirements. However, payments under the capital account items, including capital transfers, direct investment, securities investment, and the repayment of the principal amount of the borrowings, are subject to significant foreign exchange controls and require the prior approval from the foreign exchange administration or the registration with the foreign exchange administration or the banks.

LABOUR PROTECTION

Labour Law

The Labor Law of the PRC (中華人民共和國勞動法), which was passed by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009, provides that employees are entitled to equal opportunities in employment, selection of occupations, receiving labour remuneration, rest days and holidays, protection of occupational safety and healthcare, social insurance and welfare. Employers must establish and improve the system for occupational safety and healthcare, provide training on occupational safety and healthcare to employees, comply with national and/or local regulations on occupational safety and healthcare, and provide necessary labour protective supplies to employees.

REGULATORY OVERVIEW

Labour Contract Law

The Labour Contract Law (中華人民共和國勞動合同法), which was passed by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on the Labor Contract Law (勞動合同法實施條例), which were promulgated by the State Council on 18 September 2008, and came into effect on the same day, provide that the labour contracts must be executed in order to establish the labour relationship between employers and employees. In recruiting employees, an employer should inform the employees truthfully the scope of work, working conditions, workplace, occupational hazards, production safety conditions, labor remuneration and other information requested by the employees. An employer and an employee shall fully perform their respective obligations in accordance with the terms set forth in the labour contract. An employer must pay employees the labour remuneration timely and in full amount in accordance with terms in the labor contract. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination, except the situation explicitly stipulated in the Labour Contract Law which will not subject to economic compensation, the economic compensation shall be paid to the employee by the employer for the illegally rescission or termination of the labour contract.

Social Insurance and Housing Provident Funds

Under the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulations on Work-Related Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Maternity Insurance of Employees (企業職工生育保險試行辦法) and the Interim Regulations on Collection of Social Insurance Premiums (社會保險費徵繳暫行條例), an employer is required to make contribution to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance within a specified period together with a 0.05% surcharge since the non-payment date. If the employer fails to settle the overdue payment within such time limit, the relevant regulatory authorities may impose a fine of no less than one time and no greater than three times of the unpaid contribution amount on such employer.

Under the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), which were promulgated by the State Council and amended on 24 March 2002, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

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ENVIRONMENTAL PROTECTION

Our operation is primarily subject to the following laws and regulations in the PRC: (i) The Environmental Protection Law of the PRC (中華人民共和國環境保護法); (ii) The Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法); (iii) Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法); (iv) Law of the PRC on Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法); and (v) Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法).

The Environmental Protection Law of the PRC, which was passed and came into effect on 26 December 1989 by the SCNPC and then amended on 24 April 2014 and came into effect on 1 January 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The Environmental Protection Law requires enterprises that discharge pollutants in their production process to adopt environmental protection measures and establish an accountability system for environmental protection. The construction entity shall, in accordance with the requirements of applicable laws and regulations, seek governmental approval or consent before construction of projects. Enterprises, public institutions and other producers and operators shall prevent and reduce environmental pollution and ecological damage as well as take the liabilities for the damages caused according to the laws.

The Environmental Impact Assessment Law of the PRC, which was passed by the SCNPC on 28 October 2002 and subsequently amended on 2 July 2016 and came into effect on 1 September 2016, provides that if there is adverse impact on the environment of planning and construction projects after their implementation, sustainable development strategy shall be applied to promote the coordinated development of the economy, society and the environment. Enterprises must submit an environmental impact report to the competent environmental protection authorities and obtain their approval before commencing their construction project. In the process of constructing a project, the construction enterprise shall carry out the countermeasures for environmental protection as proposed in the environmental impact report and the related documents. The environmental protection authorities may suspend the construction project and impose penalty if the enterprise commence the construction project without the prior approval of the environmental protection authorities regarding the environmental impact report.

Law of the PRC on Prevention and Control of Water Pollution, which was passed by the SCNPC on 11 May 1984 and subsequently amended on 27 June 2017 and came into effect on 1 January 2018, provides that the building, renovation and enlargement of construction projects directly or indirectly discharging pollutants to waters and other water establishments shall be subject to environmental impact assessment. In addition, discharge of water pollutants shall be within the state or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants.

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Law of the PRC on Prevention and Control of Air Pollution, which was passed by the SCNPC on 5 September 1987 and subsequently amended on 29 August 2015 and came into effect on 1 January 2016, provides when building projects that have an impact on atmospheric environment, enterprises shall conduct environmental impact assessments and publish the environmental impact assessment documents. In addition, when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, which was passed by the SCNPC on 30 October 1995 and subsequently amended and came into effect on 7 November 2016, provides that the construction of projects which discharge solid wastes and the construction of projects for storage, use and treatment of solid wastes shall be carried out upon the appraisal regarding their effects on environment.

PROPERTY

The Land Administration Law of the PRC (中華人民共和國土地管理法), which was promulgated by the SCNPC on 25 June 1986 with effect from 1 January 1987 and amended on 29 December 1988, 29 August 1998 and 28 August 2004, and the Implementation Regulations of the Land Administration of the PRC (中華人民共和國土地管理法實施條例), which were promulgated by the State Council on 27 December 1998 and has newly amended on 29 July 2014, provide that the land-use regulation system and the land registration and certification system are implemented in the PRC. Enterprises or individual must use land in strict accordance with the purposes of land use as specified in the overall land utilisation plan. The change to the ownership and the use of the land is required to obtain the relevant approvals from and make the relevant registrations with the competent governmental authorities according to the relevant laws and regulations.

Pursuant to a series of construction-related laws and regulations, including the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), the Construction Law of the PRC (中華人民共和國建築法), Regulations on Administration of Construction Project Quality (建設工程質量管理條例) and House Registration Measures (房屋登記辦法), the constructor of a construction project is required to obtain various permits, certificates and approvals in relation to such construction project (including land use right certificate (土地使用證), planning permit for land for construction use (建設用地規劃許可證), planning permit for construction work (建設工程規劃許可證) and permit for commencement of construction works (建設工程施工許可證) before obtaining the property ownership certificate. After completion of a construction project, the local regulatory authorities would conduct various inspections and issue the respective inspection report on the completed construction to check if the construction process and property comply with the relevant laws, rules and regulations.

Under the Property Law of the PRC (中華人民共和國物權法), which was passed by NPC on 16 March 2007 and came into effect on 1 October 2007, the property includes immovable property and movable property and the owner of the property rights is entitled to possess, use, benefit from and dispose of the property in accordance with the law.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our Group was founded in 2007 by Mr. Liu Niu (劉牛), father of Mr. Liu Yong Cheng and Mr. Liu Yong Qiang, and Mr. Chen Yuwen (陳裕文), an Independent Third Party and a former business partner of Mr. Liu Niu.

The main operating subsidiary of our Group is Tonglin Gas, which was established in the PRC on 30 August 2007 with the view to capture the potential opportunities in the sales of natural gas in Jingzhou, Hubei Province. As such, we began developing our business in the sales of natural gas in Jingzhou, Hubei Province. We obtained relevant approvals to engage in the sales of natural gas in 2009. We began construction of our Jingzhou Primary Station in July 2010 and commenced operations in March 2012.

In November 2010, Mr. Liu Niu and Mr. Chen Yuwen transferred the entire equity interest in Tonglin Gas to Mr. Liu Yong Qiang, Mr. Liu CD and HK New Chang Jiang Int'l Investment Limited (“**New Chang Jiang**”), which is 94.2% held by Energy Train Limited and 5.8% held by Ms. Zhang Ping (張平), wife of Mr. Liu Yong Cheng, with the view for the new shareholders to further develop the business. Energy Train Limited is a company incorporated in BVI which is held as to 53.1% by Mr. Liu Niu and 46.9% by Ms. Zhang Ping.

In July 2014, Hesheng was incorporated in Hong Kong by Mr. Liu Yong Qiang and Mr. Liu Yong Cheng as an investment holding company. In March 2015, the entire equity interest of Tonglin Gas was transferred to Hesheng. As a result, Tonglin Gas became a wholly-owned subsidiary of Hesheng. Our Company was incorporated on 24 March 2017 and became the holding company of our Group.

BUSINESS MILESTONES

The following events are the key business and corporate development milestones of our Group:

Year	Business Achievement
2007	Tonglin Gas was established in the PRC
2009	Obtained relevant approvals to engage in the sales of natural gas in Jingzhou, Hubei Province
2010	Entered into CNG supply framework agreement with PetroChina
2012	Our primary station commenced operations at Dongfang Road, Jingzhou, Hubei Province

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Business Achievement
2012	Our first substation, Shihao Substation, commenced operations at Shihao Road, Jingzhou, Hubei Province
2012	Our second substation, Nanhuan Substation, commenced operations at Nanhuan Road, Jingzhou, Hubei Province
2015	Entered into Master Supply Agreement for a term of 25 years with PetroChina
2015	Our third substation, Shahong Substation, commenced operations at Shahong Road, Jingzhou, Hubei Province

CORPORATE HISTORY AND DEVELOPMENT

We set out below the corporate history and major shareholding changes of our Group companies.

Tonglin Gas

Tonglin Gas is our major operating subsidiary which commenced its business of sales of natural gas in March 2012 after obtaining relevant approvals in 2009.

Tonglin Gas was established in the PRC on 30 August 2007 as a wholly foreign owned enterprise with an initial registered capital of HK\$5.0 million, which was contributed as to 100% by Tong Lin Investment, namely 90.0% from Mr. Liu Niu and 10.0% from Mr. Chen Yuwen.

On 6 January 2010, the registered capital of Tonglin Gas increased to HK\$17.5 million with 90.0% capital contribution from Mr. Liu Niu and 10.0% from Mr. Chen Yuwen.

With the view to further develop the business of our Group and as Mr. Liu Niu has reached his retirement age, and Mr. Chen Yuwen has informed Mr. Liu Niu that he would pursue other businesses, pursuant to the equity transfer agreement dated 15 November 2010, Tong Lin Investment transferred 58.0%, 29.0% and 13.0% of the equity interest in Tonglin Gas to Mr. Liu Yong Qiang, New Chang Jiang and Mr. Liu CD, respectively, for an aggregate consideration of HK\$17.5 million, which was determined with reference to the then registered capital of Tonglin Gas. As a result of such transfer, Tonglin Gas was owned as to 58.0% by Mr. Liu Yong Qiang, 29.0% by New Chang Jiang and 13.0% by Mr. Liu CD. Such equity transfer was completed and legally settled on 9 December 2010.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pursuant to the equity transfer agreement dated 1 February 2015, Mr. Liu Yong Qiang, New Chang Jiang and Mr. Liu CD transferred 58.0%, 29.0% and 13.0% of the equity interest in Tonglin Gas to Hesheng with the aggregate consideration of HK\$17.5 million, which was determined with reference to the then registered capital of Tonglin Gas. As a result of such transfer, Tonglin Gas became a direct wholly-owned subsidiary of Hesheng. Such equity transfer was completed and legally settled on 2 March 2015.

Hesheng

Hesheng is an investment holding company. Hesheng was incorporated in Hong Kong on 3 July 2014 as a limited liability company with an issued share capital of HK\$10,000 comprising of 10,000 shares. It was held as to 71.0% by Mr. Liu Yong Qiang and 29.0% by Mr. Liu Yong Cheng.

On 28 January 2016, 3,542,900 and 1,447,100 ordinary shares of par value HK\$1.00 each of Hesheng were allotted and issued to Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, respectively. After the allotment, Hesheng had an issued share capital of HK\$5.0 million comprising of 5,000,000 shares and were held as to 71.0% by Mr. Liu Yong Qiang and 29.0% by Mr. Liu Yong Cheng.

On 15 June 2017, 10,809,750 and 4,415,250 ordinary shares of par value HK\$1.00 each of Hesheng were allotted and issued to Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, respectively. After the allotment, Hesheng has an issued share capital of HK\$20.2 million comprising of 20,225,000 shares and are held as to 71.0% by Mr. Liu Yong Qiang and 29.0% by Mr. Liu Yong Cheng.

Disposal of Tongxing

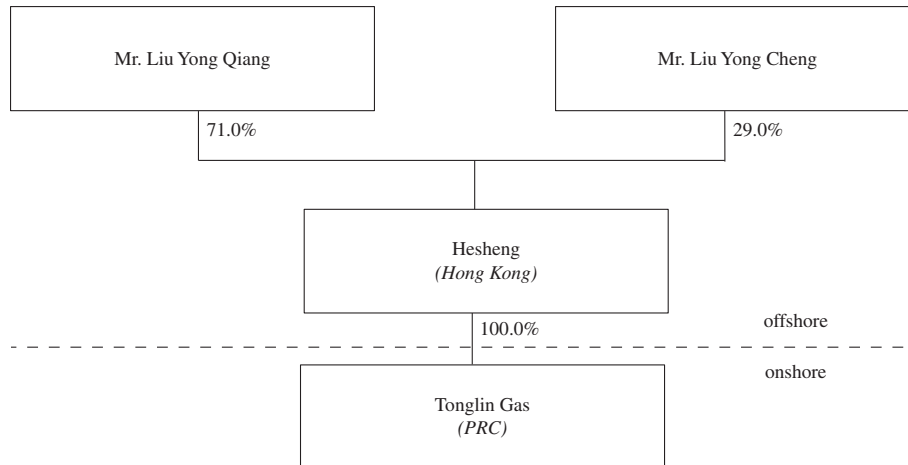
Tongxing was established in the PRC on 26 November 2012 with an initial registered capital of RMB5 million, which was subscribed as to 60.0% by Tonglin Gas and 40.0% by Gongan Xingcheng Gas Co, Ltd.* (公安縣興成燃氣有限公司), an Independent Third Party. It was principally engaged in the provision of natural gas and sales of natural gas pipes and apparatus.

In order to streamline and focus on the business operations conducted by Tonglin Gas, Mr. Liu Yong Qiang and Mr. Liu Yong Cheng decided to dispose equity interest in Tongxing held by Tonglin Gas. On 19 October 2015, Tonglin Gas entered into an equity transfer agreement, pursuant to which Tonglin Gas transferred all its equity interest in Tongxing to an Independent Third Party at a consideration of RMB0.76 million, which was determined with reference to the net asset value of Tongxing as at 31 August 2015. Such equity transfer was completed and legally settled on 2 November 2015.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

In preparation for the Listing and the Share Offer, we carried out a series of reorganisation steps for the purpose of establishing and streamlining our corporate structure for the Listing. The shareholding and corporate structure of our Group immediately before the Reorganisation is set out as follows:



Incorporation of our Company

Our Company was incorporated under the name of Huazhong Natural Gas Group Holdings Limited (華中天然氣集團控股有限公司) on 24 March 2017 with an authorised share capital of HK\$100.0 million divided into 10,000,000,000 Shares of par value HK\$0.01 each. Our Company is an investment holding company.

On the same date, one Share of par value HK\$0.01 was allotted and issued, to the initial subscriber, which was transferred to Hongsheng on the same date. On the same date, our Company further allotted and issued 70,999,999 Shares and 29,000,000 Shares to Hongsheng and Yongsheng, respectively. Upon completion of the allotment, our Company is held by Hongsheng and Yongsheng as to 71.0% and 29.0%, respectively.

On 27 April 2017, our Company changed its name to TL Natural Gas Holdings Limited.

Incorporation of Hongsheng

Hongsheng was incorporated in BVI as a company limited by shares on 4 October 2016 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On the same date, 100 ordinary shares of par value US\$1.0 each of Hongsheng (representing all the then issued shares of Hongsheng) were allotted and issued to Mr. Liu Yong Qiang at par. Hongsheng is an investment holding company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Yongsheng

Yongsheng was incorporated in BVI as a company limited by shares on 4 October 2016 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On the same date, 100 ordinary shares of par value US\$1.0 each of Yongsheng (representing all the then issued shares of Yongsheng) were allotted and issued to Mr. Liu Yong Cheng at par. Yongsheng is an investment holding company.

Incorporation of Zhuoyuan

Zhuoyuan was incorporated in BVI as a company limited by shares on 28 March 2017 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On the same date, 100 ordinary shares of par value US\$1.0 each of Zhuoyuan (representing all the then issued shares of Zhuoyuan) were allotted and issued to our Company at par. Zhuoyuan is an investment holding company. Upon completion of the Reorganisation, Zhuoyuan remains a wholly owned subsidiary of our Company.

Our Company becoming the holding company of our Group

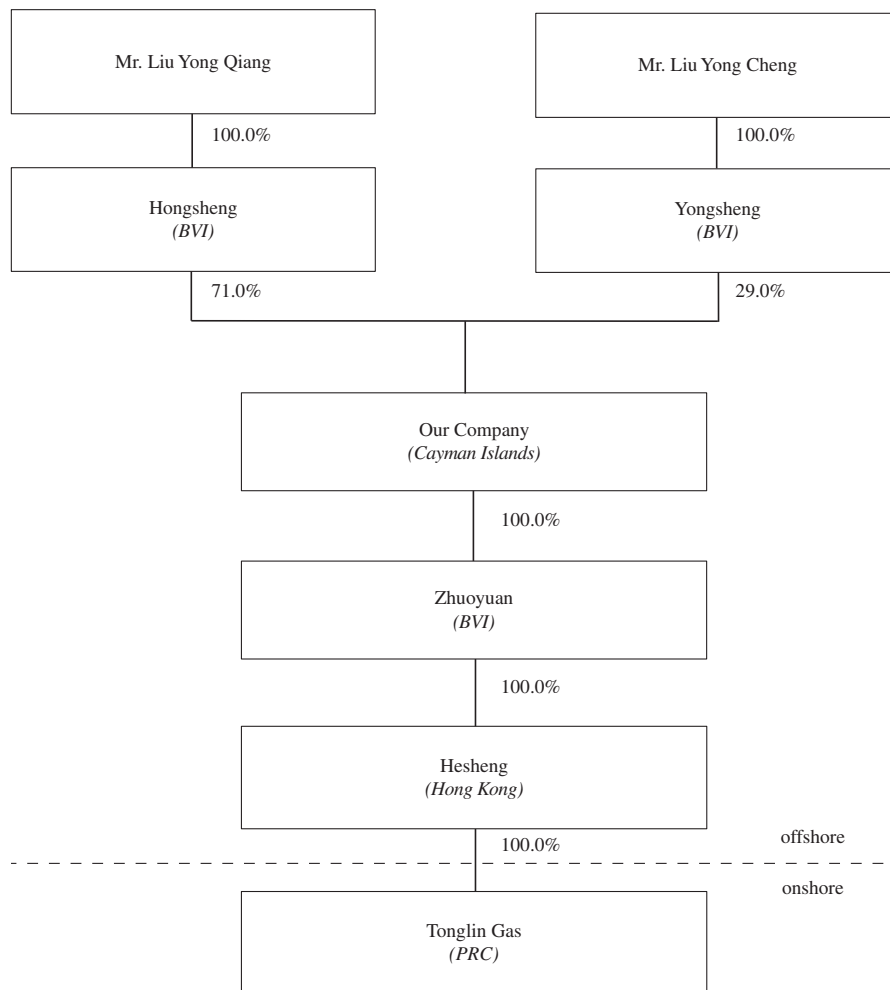
As part of the Reorganisation, the entire issued share capital in Hesheng was transferred by Mr. Liu Yong Qiang and Mr. Liu Yong Cheng to Zhuoyuan on 15 June 2017 at the consideration of HK\$19.8 million with reference to the net asset value of HK\$4.6 million of Hesheng as at 30 April 2017 and the increased share capital of Hesheng since 30 April 2017 of HK\$15.2 million. Such consideration was satisfied by the allotment and issue of 71 and 29 Shares by our Company to Hongsheng and Yongsheng, respectively, credited as fully paid. Upon completion of the transfer, Hongsheng and Yongsheng holds 71,000,071 Shares and 29,000,029 Shares in our Company, respectively, and our Company became the holding company of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

SHAREHOLDING AND CORPORATE STRUCTURE

Our shareholding and corporate structure immediately after completion of the Reorganisation but before the Capitalisation Issue and the Share Offer

The following chart illustrates the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Share Offer (without taking into account of the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



Capitalisation of a shareholder's loan provided by the existing Shareholder

On 13 December 2017, 71 Shares and 29 Shares, credited as fully paid, were allotted and issued to Hongsheng and Yongsheng, respectively, by way of capitalisation for the settlement of the outstanding shareholder's loan in the amount of HK\$19.6 million provided by the existing Shareholders on a pro-rata basis.

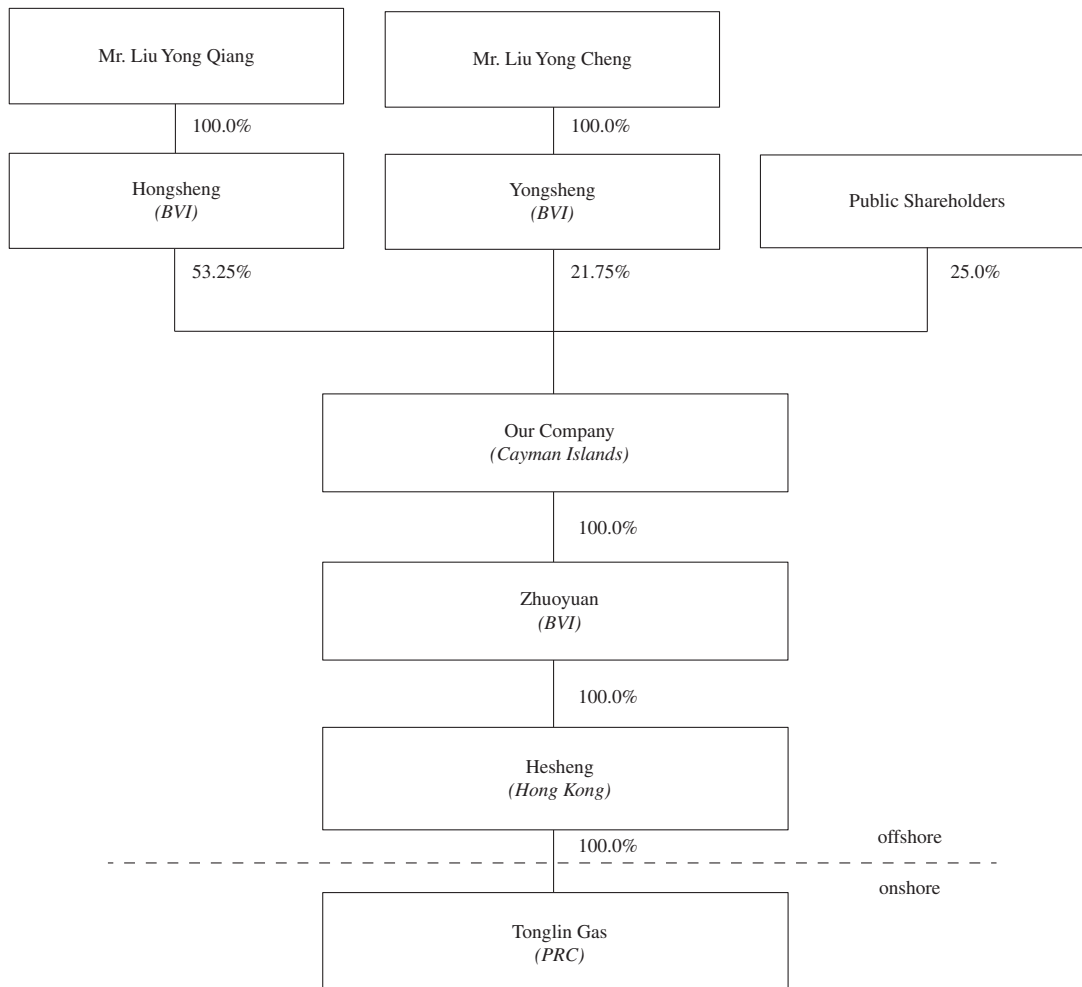
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Capitalisation Issue and the Share Offer

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, a sum of HK\$2,749,998.00 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company will be capitalised by applying such sum in paying up in full at par a total of 274,999,800 Shares (or any such number of Shares any one Director may determine) for the allotment and issue to Hongsheng and Yongsheng in proportion to their respective shareholding in our Company.

Our shareholding and corporate structure immediately after completion of the Reorganisation, and the Capitalisation Issue and the Share Offer

The following chart illustrates the shareholding and corporate structure of our Group immediately after the completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account of the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



PRC REGULATORY REQUIREMENTS

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**Circular 10**”) jointly issued by the Ministry of Commerce of the PRC (“**MOFCOM**”), the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the CSRC, the State Administration of Industry and Commerce and the State Administration of Foreign Exchange (“**SAFE**”) on 8 August 2006 and effective as of 8 September 2006 and amended in 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

As confirmed by our Directors, (i) our Company is an offshore incorporated company, (ii) Tonglin Gas had been established as a foreign invested enterprise, and (iii) our Shareholders and ultimate beneficial owners of our Company are not domestic institutions or natural persons of the PRC. Therefore, our PRC Legal Advisors are of the opinion that, unless as required by subsequent requests by the CSRC or MOFCOM, it is not necessary for our Company to obtain approval from the CSRC or MOFCOM for the Listing of our Shares on the Stock Exchange.

SAFE Registration in the PRC

The Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**Circular 37**”) was promulgated by the SAFE on 4 July 2014 and took effect on the same day. According to the Circular 37, a domestic resident (including PRC individuals and institutions) shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, register with the SAFE or its local branch to effect foreign exchange registration.

As confirmed by the Directors, our Company is an offshore corporation incorporated outside the PRC, and our ultimate beneficial owners, Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, are not PRC domestic residents. Therefore, our PRC Legal Advisers are of the opinion that, unless as required by subsequent requests by SAFE, our ultimate beneficial owners are not subject to foreign exchange registration process under Circular 37.

OVERVIEW

We are an established CNG supplier in Jingzhou, Hubei Province. According to the F&S Report, we ranked second with a market share of 12.8% in Jingzhou, Hubei Province, in terms of natural gas sales volume in 2016. We generated our revenue primarily from the distribution of natural gas in the form of CNG to retail vehicular end-users and wholesale customers. As at the Latest Practicable Date, we operated a total of four gas refuelling stations in Jingzhou, Hubei Province, all of which are situated at major roads that have high traffic flow and high accessibility. Our CNG business could be traced back to 2012 when our primary station in Jingzhou, Hubei Province, was put into commercial operation.

Our principal product offering is CNG which we purchase from our natural gas supplier, PetroChina. We have a long-established relationship with PetroChina which enables us to obtain a reliable, stable and abundant supply of natural gas. During the Track Record Period, PetroChina was our sole supplier of natural gas and we have entered into the Master Supply Agreement, pursuant to which PetroChina agreed to supply us with natural gas for a 25-year term from 2015. For details of the key aspects of the Master Supply Agreement, please see “Our Relationship with PetroChina” in this section. In addition, during the Track Record Period, we also sold a minimal amount of LNG to one of our wholesale customers.

Majority of our retail customers are drivers of public transportation vehicles, such as buses and taxis, whereas majority of our wholesale customers are urban gas companies, gas refuelling station operators and industrial users. For instance, Jingzhou Public Transport, one of our major retail customers, is a state-owned transportation company in Jingzhou, Hubei Province that operates bus routes covering urban and rural area of Jingzhou, Hubei Province. We also supplied CNG to Hubei branch of a wholly-owned subsidiary of China Petroleum and Chemical Corporation, one of our wholesale customers. For FY2015, FY2016 and FY2017, our five largest customers in aggregate accounted for approximately 66.9%, 66.8% and 61.0%, of our total revenue, respectively.

Natural gas, which is widely recognised as a more economical, efficient and clean energy source, has been strongly and actively promoted by the PRC government in recent years. The PRC government has published numerous policies, such as 13th Five-Year Plan for Natural Gas Development (天然氣發展「十三五」規劃) and Opinions on Accelerating the Use of Natural Gas (加快推進天然氣利用的意見), to support further development and utilisation of natural gas and natural gas vehicles and to improve energy consumption structure in China by shifting from coal to cleaner energy such as natural gas. According to the F&S Report, the natural gas demand in China increased significantly from 2012 to 2016 with a CAGR of 9.0%. Please see “Industry Overview” in this prospectus for further details. We believe that the favourable government policies and industry trends in the PRC will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas across different industries. Leveraging our operation experience and our position as an established CNG supplier in Jingzhou, Hubei Province, we believe we will be able to capitalise on these favourable government policies and industry trends.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date and will continue to promote our expansion:

We are an established CNG supplier with a long term and stable supply of natural gas in Jingzhou, Hubei Province

We are an established CNG supplier in Jingzhou, Hubei Province. We have been supplying CNG to our retail customers, which include drivers of public transportation vehicles such as buses and taxis, and wholesale customers, majority of which are urban gas companies, gas refuelling station operators and industrial users. We started operating gas refuelling stations since 2012 when the Jingzhou Primary Station, our first primary station, was put into commercial operation. As at the Latest Practicable Date, we operated a total of four gas refuelling stations in Jingzhou, Hubei Province, all of which are situated at major roads that have high traffic flow and high accessibility and three of which are located adjacent to a parking lot of public buses. Such locations allow our major customers to enjoy close proximity to our gas refuelling stations and provide greater convenience to our customers which we believe is one of the major factors for them to choose our gas refuelling stations. According to the F&S Report, we was the second largest supplier in terms of total sales volume of natural gas in 2016, with market share of 12.8%. Our market share in Jingzhou, Hubei Province were 24.8% for vehicle use and 10.9% for industrial and commercial use in terms of total sales value of natural gas in 2016, ranking second and second respectively.

We source our natural gas directly from PetroChina, our sole natural gas supplier for CNG, in Jingzhou, Hubei Province during the Track Record Period. We believe that our long-established relationship with PetroChina enables us to obtain a reliable, stable and abundant supply of natural gas which is essential for our operation and development. Please see “We have established stable business relationships with our major customers and our natural gas supplier” below for details of our relationship with PetroChina. In light of our long-established relationship with PetroChina, we believe our CNG supply capability will further reinforce our position and presence in Jingzhou, Hubei Province. For details of the key aspects of the Master Supply Agreement, please see “Our Relationship with PetroChina” in this section.

According to the F&S Report, vehicle gas refuelling station market is relatively regionally restricted and requires strong local brand recognition. Local vehicle end-users are more apt to those local reputable refuelling stations to refuel their vehicles. By targeting on natural gas business on vehicle segment, our Group has built up its reputation among drivers and established a solid client base. We believe that our established position and proven record in operating gas refuelling stations not only provide us with a stable stream of revenue, but also provide us with an advantage in terms of maintaining existing customer base and exploring new business opportunities. As a CNG supplier with established presence in the region, we continue to strive for a high safety standard and quality service. As such, we invested in installing safety equipment at our gas refuelling stations and provide continuous trainings to our operation staff and frontline employees.

We are located in Jingzhou, Hubei Province, where there are favourable government policies, significant growth opportunities of the vehicle gas refuelling station market and a substantial industrial and commercial user base for natural gas

We benefit from favourable government policies and industry trends. Natural gas, which is widely recognised as a more economical, efficient and clean energy source, has been strongly and actively promoted by the PRC government in recent years. According to the F&S Report, China is improving its energy consumption structure by shifting from coal to cleaner energy such as natural gas and other renewable energy. In recent years, the PRC government has issued a series of policies to support further development and utilisation of natural gas, in particular, the application of gas-fired power generation facilities, and natural gas vehicles such as Guidelines of Energy Work in 2017 (2017年能源工作指導意見), Opinions on Accelerating the Use of Natural Gas (關於加快推進天然氣利用的意見), Action Plan of Energy Development Strategy (2014-2020) (能源發展戰略行動計劃(2014-2020年) and Implementation Scheme of the Abandonment of Coal-fired boiler in Jingzhou's central city area (荊州市中心城區淘汰燃煤鍋爐實施方案). In late 2016, the NDRC issued the 13th Five-Year Plan for Natural Gas Development (天然氣發展「十三五」規劃), proposing to increase the production of natural gas to 207.0 billion m³ by 2020, and decrease the proportion of coal consumption to less than 58.0% during the 13th Five-Year Plan period. The National Energy Administration of China (國家能源局) emphasised to increase the use of clean energy such as non-fossil energy and natural gas, so as to develop the green and low-carbon modes of production and life and build an ecologically civilised society. We believe that we will continue to enjoy the benefits resulting from the favourable government policies and our natural gas business will enable us to capitalise on these favourable government policies and industry trends.

According to the F&S Report, the natural gas demand in China increased significantly during the past few years, with a CAGR of 9.0% from 2012 to 2016. The number of gas refuelling stations in China is expected to increase by approximately 50.0% from 2016 to 2020 according to the 13th Five-Year Plan for Natural Gas Development. The number of gas refuelling stations in Jingzhou, Hubei Province, also increased from six in 2012 to 19 in 2016. The proportion of natural gas consumption in primary energy consumption structure in Hubei Province is expected to increase from 3.4% in 2015 to 6.0% in 2020. With the improving level of urban natural gas penetration as well as the substantial industrial fuel demand, natural gas consumption volume in Hubei Province estimated to increase from 2017 to 2021, representing a CAGR of 25.1%.

We are located in districts and city with high industrial and commercial potentials. According to the F&S Report, the urban population increased from 2.8 million in 2014 to 3.0 million in 2016, leading to an increase in demand of vehicles and public transportation in Jingzhou, Hubei Province, and the gross industrial value added increased from RMB21.0 billion in 2012 to RMB28.0 billion in 2016, indicating a fast industrial development. Active economic and industrial development in the region enlarges the user base for CNG, especially industrial and commercial users, whose contribution to our total revenue was approximately 49.2%, 40.6% and 45.9% for FY2015, FY2016 and FY2017. Our location in Jingzhou, Hubei

Province, will allow us to further explore the future growth opportunities in the region. We believe that, with our experience in operating gas refuelling stations, stable natural gas supply and established market position and business relationships in the natural gas industry, we are well-positioned to capture growth potential in this sector and will continue to benefit from the high demand for clean energy such as CNG.

We have established stable business relationships with our major customers and our natural gas supplier

We have established stable business relationships with our major customers and our natural gas supplier. Our top five customers during the Track Record Period have maintained more than five years of business relationship with us while we have established more than six years relationship with PetroChina, our sole natural gas supplier during the Track Record Period. Our stable business relationships with our major customers, provides us with stable customer base and revenue stream. For instance, we have entered into an annual supply agreement with one of our major retail customers, Jingzhou Public Transport, since 2012, pursuant to which we shall sell and supply CNG to their bus fleet, and they shall purchase CNG from us. The above arrangement is part of the strategic cooperation between our Group and Jingzhou Public Transport, pursuant to which, both parties agreed to identify and provide cooperation opportunities in respect of expanding our gas refuelling stations network and we agreed to provide timely gas refuelling services for their bus fleet. As at the Latest Practicable Date, we have not identified any future business opportunity to develop new gas refuelling station with Jingzhou Public Transport.

According to the F&S Report, as natural gas is a strategic resource in China that is controlled by a few state-owned enterprises and that new entrants are difficult to build long term relationship with them, good relationship with upstream gas suppliers to obtain stable and reliable upstream gas supply is crucial for the steady operation and development of gas refuelling stations. To secure a stable and abundant natural gas supply for our operation, we entered into the Master Supply Agreement for a 25-year term with PetroChina on 10 January 2015, pursuant to which we shall purchase from PetroChina, and PetroChina shall sell to us, natural gas. Prior to entering into the Master Supply Agreement with PetroChina in January 2015, we entered into an annual supply framework agreement with PetroChina for natural gas supply. As such, we believe that our stable business relationships with our natural gas supplier will enable us to enjoy stable source and reliable supply of natural gas.

We have an experienced and stable management team

Our management team have extensive experience in the natural gas industry. Our executive Directors have an average of eight years of work experience in the natural gas industry. Our executive Directors, Mr. Liu Yong Qiang, who is also our deputy general manager, and Mr. Liu Yong Cheng, who is our chairman and chief executive officer, have approximately 11 years of experience, in the management of natural gas company. Mr. Liu CD, our general manager and an executive Director, has about nine years of experience in the natural gas industry. Our senior management members and experienced professionals are equipped with considerable technical and marketing know-how and have developed close relationships with key market participants, including our major supplier. For further details of the experience of our management team, please see “Directors and Senior Management” in this prospectus.

BUSINESS

We believe that our management team possess the vision, in-depth industry knowledge and the leadership that are critical to success in the natural gas industry and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing production schemes and increasing our overall profit to maximise our Shareholder value. Our management team is committed to high standards with regard to corporate governance and quality control. In addition, our key management members are also Shareholders of our Group, helping to ensure that their incentives align with those of our Shareholders.

OUR BUSINESS STRATEGIES

In order to further grow our business and to enlarge our customer base in the natural gas industry, we intend to pursue the following business strategies:

Expand our gas refuelling station network

According to the F&S Report, some of the leading market players are building new gas refuelling stations to secure their respective market share. Hence, we believe that expansion of our gas refuelling station network is essential to increase our market share and to maintain our market position in the region. In particular, our local presence provides a platform for us to establish our reputation through our retail operation, whereby allow us to maximise our reach to our potential wholesale customers. Subject to fulfilling the relevant regulatory requirements, market conditions and our continuous business assessment at different stages of the implementation of our expansion plan, we plan to establish more gas refuelling stations, including one new combined CNG/LNG refuelling station and one CNG refuelling station adjacent to an existing petroleum station, to expand our network to other locations in Jingzhou, Hubei Province in order to diversify and enlarge our customer base. Based on our Directors' knowledge and understanding, the operation and the infrastructures required for CNG and LNG refuelling stations are relatively similar. According to the F&S Report, LNG could be easily converted back to its gas state when vaporised to become CNG and LNG is more commonly used by long distance vehicles such as heavy trucks. Our Directors believe that the participation of LNG supply operation can broaden our customer base and diversify our risk on relying CNG sales. Subject to the then market conditions, we will also consider to offer LNG to wholesale customers with a view to enlarge our wholesale customer base. The new combined CNG/LNG refuelling station is currently under the urban infrastructure design plan of Jingzhou, Hubei Province, promulgated by Jingzhou Urban Infrastructure Steering Committee (荊州市城市建設項目領導小組).

As more particularly disclosed in Industry Overview in this prospectus, the PRC government has formulated policies encouraging the use of natural gas vehicles in China. For example, in the 13th Five-year Plan for Energy Development (能源發展「十三五」規劃), it is the government policy that the proportion of natural gas users in cities will be increased and that the natural gas consumption is targeted to increase by 45.0 billion m³ to eliminate 189,000 tons of coal-fired boiler capacity, whilst in Implementation Scheme of the Abandonment of Coal-fired Boiler in Jingzhou's Central City Area (荊州市中心城區淘汰燃煤鍋爐實施方案), coal-fired power plants are encouraged to be replaced by gas-fired power generation facilities. Enhanced awareness of environmental protection to reduce emission from traditional vehicles

and the price advantage of natural gas vehicles over gasoline and diesel fuels are also drivers to the growth of natural gas vehicles in China. According to the F&S Report, gas refuelling station market of Jingzhou, Hubei Province, is estimated to further develop, with parc of natural gas vehicles in Jingzhou, Hubei Province, projected to reach 6,178 in 2021, representing a CAGR of 3.8% from 2017 to 2021. Thus, we believe that there are plenty of market opportunities for CNG/LNG refuelling station business in the PRC even though it is currently under-developed.

When implementing our plan, we will first identify a potential site for the new gas refuelling station and then conduct feasibility studies and make a detailed assessment on the business potential on such site.

The expected location of our new gas refuelling stations is within Jingzhou central city area. We estimated that the daily traffic flow of our new gas refuelling stations is around 500 vehicles per day based on the followings: (i) vehicle count in various locations around the sites of the new stations; (ii) daily traffic flow of existing stations; and (iii) our Directors' experience and understanding to the industry. Our new refuelling stations are geographically separated from our existing stations, with an average distance of approximately 10 km from our new CNG refuelling station to our existing stations, and approximately 22 km from the new CNG/LNG refuelling station to our existing stations, respectively. As advised by F&S, in light of (i) the consumer preference over closer gas refuelling stations; and (ii) the geographical segregation of our existing stations and new stations, our Directors believe that the risk of sales cannibalisation between the new and existing stations is low. The total estimated capital expenditure for our new CNG refuelling station and new combined CNG/LNG refuelling station are RMB4.2 million and RMB12.9 million, respectively. The estimated breakeven (direct gross profit, i.e. revenue minus cost of inventories sold, covering fixed operating cost excluding depreciation) period for both new gas refuelling stations is 5.5 months and the estimated investment payback (operating profit before depreciation and tax covering total capital expenditure) period for our new CNG refuelling station and new combined CNG/LNG refuelling station are two years and seven years, respectively. The expected timeframe for obtaining approval from the relevant governmental authorities for each new station is one year. In carrying out our expansion plan, we expect the sales generated from the new gas refuelling stations would increase our total revenue and net profit in the short term, which would be partly offset by the increase in our cost of sales as a result of increase in depreciation of property, plant and equipment of the new gas refuelling stations. In the long term, the sales generated from the new gas refuelling stations would continue to increase our total revenue and net profit, while depreciation would remain relatively stable. Please see "Risk Factors – Risks Relating to our Business and Industry – Our future expansion plans are subject to uncertainties and risks and could result in fluctuations in our financial performance" in this prospectus.

We plan to utilise HK\$13.3 million of our net proceeds, representing approximately 54.2%, for expanding our gas refuelling station network. Our Directors believe the net proceeds from the Share Offer together with our internal resources will be sufficient to cover the costs of our current expansion plan. Please see "Future Plans and Use of Proceeds – Implementation Plan" in this prospectus for details of our implementation plans. To the extent that the net proceeds are not sufficient to fund such plan, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising.

Install new facilities at our Jingzhou Primary Station

In order to enlarge our wholesale customer base and enable us to capture both CNG and LNG market, we intend to install new facilities at our Jingzhou Primary Station with LNG processing capability to cater for our potential LNG customers, which include both retail customers, such as long-distance vehicular users, and wholesale customers, such as urban gas companies and other industrial users. After installation of new facilities with LNG processing capability, we will be able to maintain the pressure and low temperature of LNG, pump and dispense LNG at our Jingzhou Primary Station. As advised by F&S, it is capital intensive to construct a liquefaction plant which currently only giant or large-scale energy conglomerates possess such facilities, and technically difficult to convert natural gas into LNG as it requires extremely low temperature and insulated environment. As a result, we will procure LNG from LNG suppliers, such as LNG trading companies, which we previously have business relationship with during the Track Record Period. Since (i) the operation of CNG refuelling station and combined CNG/LNG refuelling station are similar; and (ii) the transportation cost and processing cost of LNG operation is comparable to that of CNG operation, our Directors expect that there will be no material change to our Group's overall cost structure and cost of inventories sold representing procurement costs of natural gas and LNG will continue constitute our major operating cost. As the market price of CNG and LNG are different, we expect our purchase cost will be different depending on the procured volume and the product mix. For the impact of capital expenditure from upgrading of our Jingzhou Primary Station with LNG facilities on our results and cost structure, please see "Our Business Strategies – Expand our gas refuelling station network" in this section.

According to the F&S Report, only slight modifications and configurations are needed to be made to the current equipment and systems of our gas refuelling stations so to equip them with both CNG and LNG offering capacity. We plan to acquire new electricity generator, LNG storage vessels, cryogenic pumps and dispensers and to develop LNG operation in the future. The newly acquired electricity generator is expected to provide electricity to our new LNG operation and such arrangement can ensure a continuous and stable supply of electricity to our Jingzhou Primary Station. The installation of LNG-related facilities at our Jingzhou Primary Station is currently under the urban infrastructure design plan of Jingzhou, Hubei Province, promulgated by Jingzhou Urban Infrastructure Steering Committee. The expected timeframe for obtaining relevant approval for our LNG operation from the relevant government authorities is approximately one year.

The total expenditure for the upgrading of our Jingzhou Primary Station is estimated to be RMB9.3 million and we plan to utilise HK\$8.8 million of our net proceeds, representing approximately 35.8%, for installing new facilities at our Jingzhou Primary Station. Please see "Future Plans and Use of Proceeds – Implementation Plan" in this prospectus for details of our implementation plans.

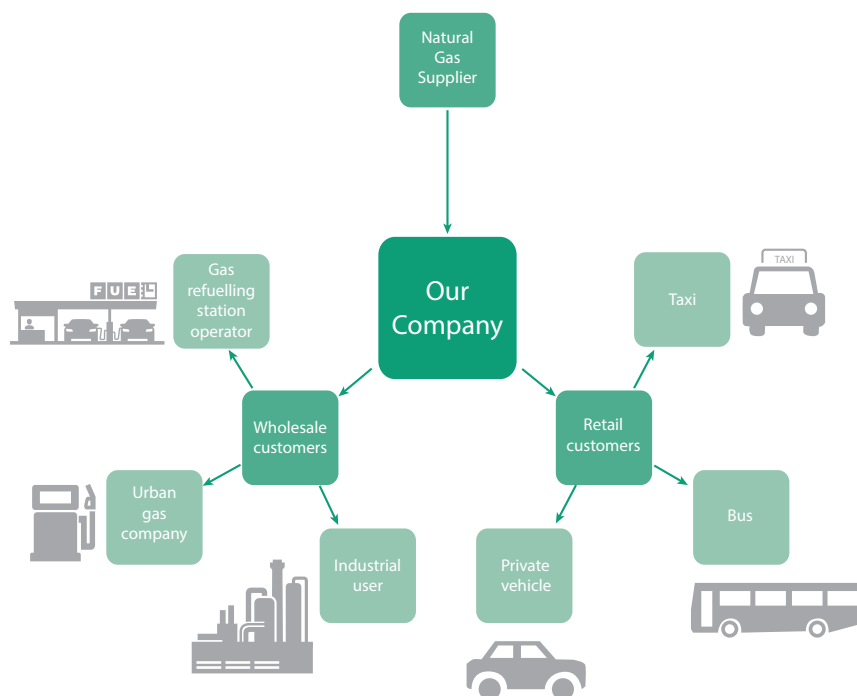
Strengthen our marketing and promotion strategies

According to the F&S Report, gas refuelling station market is relatively regionally restricted and requires strong local brand recognition for operator to flourish. We have further strengthened our sales and marketing efforts to actively identify new business opportunities in 2017 and we have entered into several framework supply agreements with our potential new customers to further expand our wholesale customer base, to include more industrial and commercial users and power generation users. As such, apart from expanding our station network in Jingzhou, Hubei Province, we intend to strengthen our marketing and promotion strategies by (i) including value-added services at our gas refuelling stations; and (ii) implementing a new customer loyalty programme to retain customers and attract new customers.

In order to provide a better customer experience, we plan to introduce value-added services, such as (i) providing tyre maintenance services; (ii) installing windshield cleaning tools at all our gas refuelling stations such that our customers could utilise their time spent at our stations; and (iii) providing auto repair and maintenance services whereby our customers can enjoy various services ranging from parts lubrication to waxing and cleaning of vehicles with a fee.

Furthermore, our Directors believe that a customer loyalty programme is an effective means to strengthen our customer base and promote customers' loyalty. We have rolled out a new customer loyalty programme as at the Latest Practicable Date, pursuant to which our retail customers will enjoy a discount upon their eligible spending at our gas refuelling stations if they make payment using electronic peer-to-peer money transfer through third party online service provider.

OUR BUSINESS MODEL



We primarily engage in the sales of natural gas in the form of CNG to retail customers through our four gas refuelling stations in Jingzhou, Hubei Province. We also supplied CNG to wholesale customers, such as urban gas companies which mainly supply natural gas to non-vehicular users, such as commercial and residential users, gas refuelling station operators whose customers include taxis and buses, etc. in geographical locations different from our customers, and industrial users, according to the sales orders placed by them. Customers under the category of industrial users generally engage in manufacturing of industrial products and our CNG supplied to them is primarily used to fuel their production processes. For FY2015, FY2016 and FY2017, approximately 51.0%, 59.7% and 54.4% of our revenue were generated from our retail customers who are drivers of public buses, taxis, and private vehicles, and approximately 49.2%, 40.6% and 45.9% of our revenue were generated from our wholesale customers who are urban gas companies, gas refuelling station operators and industrial users for the corresponding periods. Sales of CNG constituted approximately 99.9%, 99.6% and 98.7% of our total revenue for FY2015, FY2016 and FY2017, respectively. We also sold a minimal amount of LNG to one of our wholesale customers and derived sales revenue of RMB0.2 million and RMB0.9 million for FY2016 and FY2017, respectively.

The CNG dispensed at our stations were procured from PetroChina pursuant to the Master Supply Agreement. We provide PetroChina with our expected demand for natural gas in the upcoming month with reference to our sales performance at each station and the monthly estimates provided by our wholesale customers, and arrange for natural gas to be transmitted from the transmission gateway substation operated by PetroChina in Jingzhou, Hubei Province (“**PetroChina’s Transmission Substation**”) to our primary gateway station, Jingzhou Primary Station, through pipelines built by our Group. We will then arrange for CNG to be delivered to our other three gas refuelling substations through third party logistic service providers.

BUSINESS

Set forth below is a breakdown of our sales volume of CNG, revenue and percentage of revenue and nature of sales:

	2015			Year ended 31 December 2016			2017		
	Sales volume of CNG (million m ³)	Total Revenue (RMB '000)	Percentage of revenue (%)	Sales volume of CNG (million m ³)	Total Revenue (RMB '000)	Percentage of revenue (%)	Sales volume of CNG (million m ³)	Total Revenue (RMB '000)	Percentage of revenue (%)
Retail									
Buses	7.1	22,173	26.4	7.4	19,051	29.9	6.8	17,347	26.4
Taxis and private vehicles	5.8	20,637	24.6	6.4	18,990	29.8	6.2	18,384	28.0
	12.9	42,810	51.0	13.8	38,041	59.7	13.0	35,731	54.4
Wholesale									
CNG Gas refuelling station operators	8.9	24,828	29.5	10.4	22,051	34.6	6.2	12,943	19.7
Urban gas companies	4.1	11,689	13.9	1.5	3,230	5.1	5.2	12,539	19.1
Industrial users	1.6	4,866	5.8	0.1	348	0.5	1.5	3,767	5.8
	14.6	41,383	49.2	12.0	25,629	40.2	12.9	29,249	44.6
LNG	–	–	–	–	233	0.4	–	871	1.3
	14.6	41,383	49.2	12.0	25,862	40.6	12.9	30,120	45.9
Others	–	(190)	(0.2)	–	(207)	(0.3)	–	(186)	(0.3)
Total	27.5	84,003	100.0	25.8	63,696	100.0	25.9	65,665	100.0

Note: During FY2016 and FY2017, we recorded sales of LNG amounted to RMB0.2 million and RMB0.9 million, respectively.

As at the Latest Practicable Date, we operated a total of four gas refuelling stations in Jingzhou, Hubei Province. We set forth below our sales volume from our gas refuelling stations and percentage of sales volume by location of our stations:

Location	Year ended 31 December					
	2015 Sales volume (million m ³)	Percentage of total sales volume (%)	2016 Sales volume (million m ³)	Percentage of total sales volume (%)	2017 Sales volume (million m ³)	Percentage of total sales volume (%)
Dongfang Road (東方大道) (Jingzhou Primary Station)	15.2	55.3	12.6	48.9	13.2	51.0
Nanhuan Road (南環路) (Nanhuan Substation)	4.8	17.5	5.6	21.7	5.6	21.6
Shahong Road (沙洪路) (Shahong Substation)	1.5	5.4	2.2	8.5	2.1	8.1
Shihao Road (十號路) (Shihao Substation)	6.0	21.8	5.4	20.9	5.0	19.3
Total	27.5	100.0	25.8	100.0	25.9	100.0

OUR SALES MODEL

Retail operation

Our retail sales of CNG are conducted through our gas refuelling stations we operate and our targeted customers are vehicle owners who are end-users of CNG. More details of our operation process is set out in “Our Operation – Retail operation” in this section.

Revenue generated from retail sales amounted to approximately 51.0%, 59.7% and 54.4% of our total revenue for FY2015, FY2016 and FY2017, respectively. Retail sales volume of CNG amounted to approximately 12.9 million m³, 13.8 million m³ and 13.0 million m³ for FY2015, FY2016 and FY2017.

Wholesale business

During the Track Record Period, we engaged in wholesale business of CNG with urban gas companies, gas refuelling station operators and industrial users. We also sold a minimal amount of LNG to one of our wholesale customers and recorded sales of LNG amounted to RMB0.2 million in FY2016 and RMB0.9 million for FY2017. For key terms of the framework supply agreement we usually enter into with our wholesale customers, please see “Customers – Wholesale customers” in this section. The delivery method to wholesale customers might vary according to their respective framework supply agreements. Some of our wholesale customers may send their own tanker trucks to procure CNG at our gas refuelling stations. CNG sold to urban gas companies and gas refuelling station operators could be purchased by other vehicular gas users from these wholesale customers while industrial users may use CNG procured from us as raw materials in their production.

Revenue generated from wholesale sales amounted to approximately 49.2%, 40.6% and 45.9% of our total revenue for FY2015, FY2016 and FY2017, respectively. Wholesale sales volume amounted to approximately 14.6 million m³, 12.0 million m³ and 12.9 million m³ for FY 2015, FY 2016 and FY2017.

OUR PRODUCTS

During the Track Record Period, we sold CNG at our gas refuelling stations and to our wholesale customers. We also sold a minimal amount of LNG to one of our wholesale customers and derived sales revenue of approximately RMB0.2 million for FY2016 and RMB0.9 million for FY2017. CNG sold by us were procured from PetroChina with whom we entered into the Master Supply Agreement for natural gas supply. According to the F&S Report, CNG is the most widely used natural gas fuel for vehicles in China due to its lower cost to produce. As CNG is still in gas form, it occupies greater volume, and owing to its lower reduction in volume, usage of CNG is more commonly found in short distance vehicles, such as local buses, taxis and private vehicles. We believe that natural gas is becoming an increasingly major source of energy for residential, commercial and industrial users, particularly in urban areas, and is primarily due to the thermal efficiency and environmental-friendly nature of natural gas.

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The table below sets out our average selling price of CNG by nature of sales for FY2015, FY2016 and FY2017, respectively:

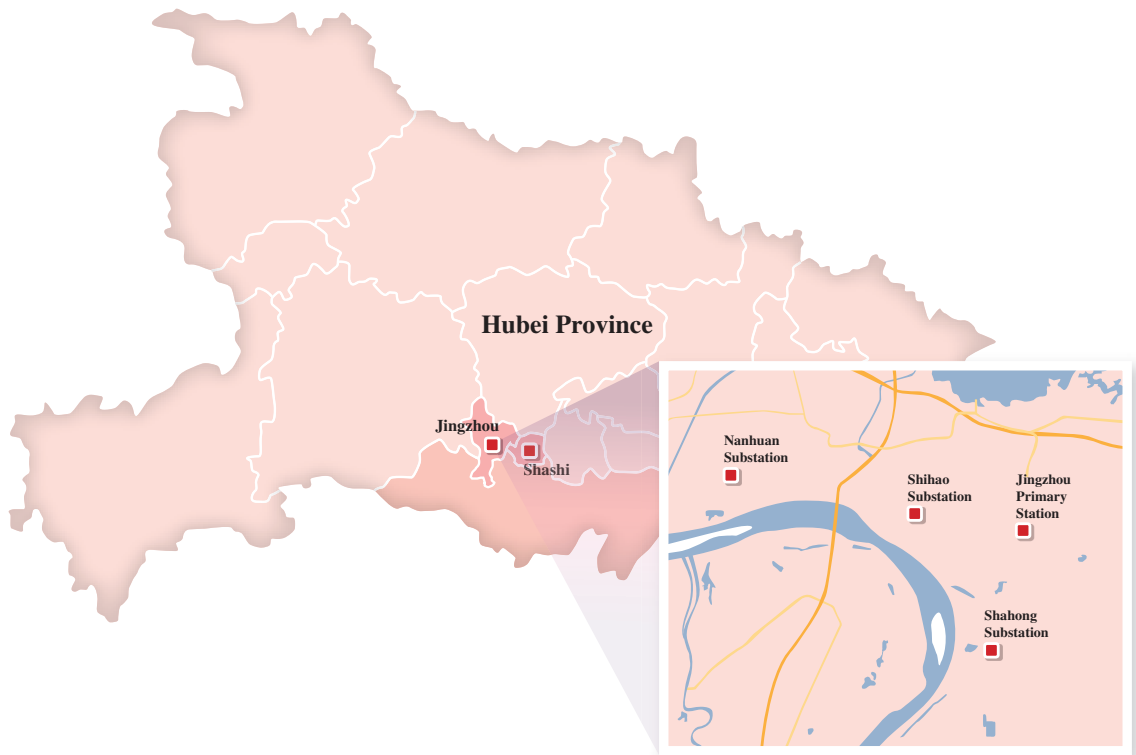
Nature of sales	Year ended 31 December		
	2015 (RMB/m ³ , VAT exclusive)	2016 (RMB/m ³ , VAT exclusive)	2017 (RMB/m ³ , VAT exclusive)
Retail	3.32	2.75	2.74
Buses	3.14	2.57	2.55
Taxis and others	3.54	2.98	2.95
Wholesale	2.83	2.16	2.28

Note: Our selling price of CNG is regulated by the PRC Pricing Law and PRC price determination regime of natural gas. Please see “Regulatory Overview – Price Determination Regime of Natural Gas” in this prospectus for more details.

As a result of the decrease in the maximum unit selling price determined by Jingzhou Price Bureau, (i) our average selling price of CNG to buses decreased from RMB3.14/m³ for FY2015 to RMB2.57/m³ for FY2016, and remained stable at RMB2.55/m³ for FY2017; (ii) our average selling price of CNG to taxis and private vehicle owners decreased from RMB3.54/m³ for FY2015 to RMB2.98/m³ for FY2016, and remained stable at RMB2.95/m³ for FY2017; and (iii) our average selling price of CNG to wholesale customers decreased from RMB2.83/m³ for FY2015 to RMB2.16/m³ for FY2016 and increased to RMB2.28/m³ for FY2017. Please see “Financial Information – Description of Selected Items in the Consolidated Statements of Profit or Loss” in this prospectus for charts setting out the benchmark city station gate price determined by NDRC, the maximum selling price determined by Jingzhou Price Bureau and our average unit price during the Track Record Period.

OUR GAS REFUELLING STATION LOCATIONS

As at the Latest Practicable Date, we operated a total of four gas refuelling stations in Jingzhou, Hubei Province. According to the F&S Report, our Group's gas refueling stations are evenly and properly distributed across Jingzhou central city area. The gas refuelling stations are located respectively in the northern, eastern, and western part of Jingzhou central city, while those of competitors are more geographically concentrated, which helps our Group to capture the market share in different areas of Jingzhou, Hubei Province, and maintain potential for further development. In addition, all of our Group's stations are located close to the bus stations, which is convenient for gas refueling of buses. Due to the advantageous geographical locations, our Group gains major market share in the bus segment. The following map set forth the location of our gas refuelling stations as at the Latest Practicable Date:



Selection of location for our gas refuelling stations

We believe that the selection of the location for our gas refuelling station is crucial to the success of our operations. In our selection process for our four existing gas refuelling stations and any new gas refuelling stations, we have considered and/or will carefully consider the following key factors:

- whether it is in line with our strategies to expand the geographical coverage of our natural gas business and customer base in our target districts;
- traffic flow of CNG and LNG vehicles in the vicinity of each of the new gas refuelling station and population density;
- the competitive landscape of our target market, including the projected growth in the number of CNG or LNG vehicles and population, the future development trend and speed of development of our target districts and surrounding regions and the consumption patterns of the potential customers of CNG and LNG in our target districts;
- customer accessibility including proximity to bus stations and bus terminals;
- the estimated capital expenditure, breakeven and investment payback periods in respect of the new gas refuelling station;
- the geographical coverage of the new gas refuelling station and the proximity of the same to our other existing gas refuelling stations;
- proximity and performance of competitors in the surrounding area;
- the availability of land resources and suitable location for the construction of the new gas refuelling station;
- site characteristics and suitability with the specifications of our building plans; and
- any entry barrier to operating a new gas refuelling station in the region such as licensing requirements.

Jingzhou Primary Station



Station type:	Primary
Location:	Dongfang Road, Jingzhou, Hubei Province
Gross floor area:	Approximately 13,384.3 sq.m.
Time of establishment:	March 2012
Average daily traffic flow:	FY2015: 60-100 vehicles FY2016: 60-80 vehicles FY2017: 50-90 vehicles
Number of dispensers installed:	Four
Maximum daily processing capacity ⁽¹⁾ :	Approximately 570 vehicles

Our primary station, the Jingzhou Primary Station, serves as a gas processing station which acts as a primary station bridging high-pressure pipelined gas that is being transmitted from PetroChina to us. We conduct our wholesale operation mainly through our Jingzhou Primary Station and it has the following primary functions:

- *Quantifying* – we quantify and verify the amount of natural gas supplied by PetroChina for the purpose of settlement;
- *Pressure regulating* – increase pressure to natural gas supplied by PetroChina to allow us to transport CNG to our other gas refuelling substations through tanker trucks;
- *Drying* – natural gas contains certain amount of moisture when it is extracted from underground and condensation built up when natural gas is compressed. Moisture in CNG is then removed through a drying process; and
- *Cleansing and odorising* – the primary purpose of this process is to cleanse CNG and to add a readily detectable but harmless odour so that users and the general public can be alerted to gas leakages.

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Shihao Substation



Station type:	Substation
Location:	Shihao Road, Jingzhou, Hubei Province and is adjacent to a parking lot of public buses
Gross floor area:	Approximately 2,500 sq.m.
Facility:	Possesses compressor to regulate pressure of CNG
Time of establishment:	July 2012
Average daily traffic flow:	FY2015: 1,000-1,300 vehicles FY2016: 800-1,200 vehicles FY2017: 800-1,200 vehicles
Number of dispensers installed:	12
Maximum daily processing capacity ⁽¹⁾ :	Approximately 1,720 vehicles

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Nanhuan Substation



Station type:	Substation
Location:	Nanhuan Road, Jingzhou, Hubei Province and is adjacent to a parking lot of public buses
Gross floor area:	Approximately 2,500 sq.m.
Facility:	Possesses compressor to regulate pressure of CNG
Time of establishment:	July 2012
Average daily traffic flow:	FY2015: 200-650 vehicles FY2016: 500-750 vehicles FY2017: 600-900 vehicles
Number of dispensers installed:	Eight
Maximum daily processing capacity ⁽¹⁾ :	Approximately 1,150 vehicles

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Shahong Substation



Station type:	Substation
Location:	Shahong Road, Jingzhou, Hubei Province and is adjacent to a parking lot of public buses
Gross floor area:	Approximately 2,500 sq.m.
Facility:	Possesses compressor to regulate pressure of CNG
Time of establishment:	April 2015
Average daily traffic flow:	FY2015: 100-200 vehicles FY2016: 200-300 vehicles FY2017: 100-300 vehicles
Number of dispensers installed:	Four
Maximum daily processing capacity ⁽¹⁾ :	Approximately 570 vehicles

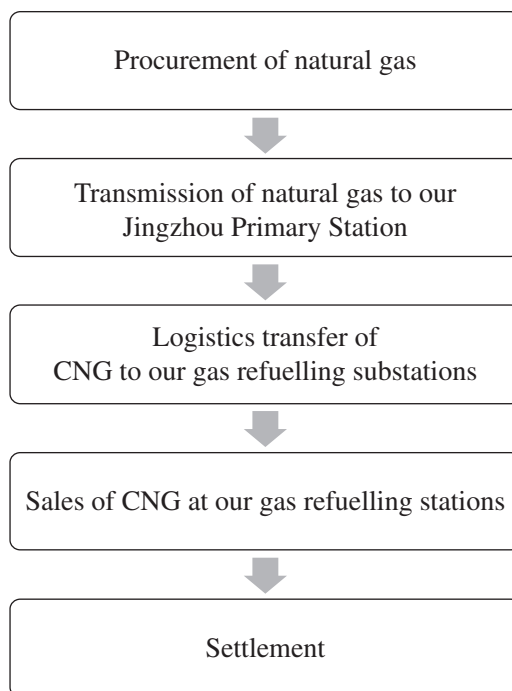
Note:

- (1) The maximum daily processing capacity is calculated by multiplying the number of dispensers installed at the relevant gas station and the estimated maximum number of vehicles processed by each dispenser per day.

OUR OPERATION

Retail operation

Our retail operation involves the following key processes: (i) procurement of natural gas; (ii) transmission of natural gas to our Jingzhou Primary Station; (iii) logistics transfer of CNG to our gas refuelling stations; (iv) sales of CNG at our gas refuelling stations; and (v) settlement.



1. *Procurement of natural gas*

We have a long-term and established relationship with PetroChina, our sole natural gas supplier. PetroChina has been our sole upstream source of natural gas supply and natural gas is transmitted through the pipelines to our Jingzhou Primary Station. We closely monitor the quality of CNG we sell. Prior to 2016 before PetroChina had an electronic system in place, we would regularly send our staff to PetroChina's Transmission Substation to collect the gas composition analysis report and to review the test result of natural gas supplied to us. With the PetroChina's electronic system implemented, our staff will download the daily reports from PetroChina website every day and review the sulphur and moisture content of natural gas procured from PetroChina at our Jingzhou Primary Station. Please see "Our Relationship with PetroChina" in this section for details of our arrangement with PetroChina.

Our operation department is responsible for monitoring our sales and inventory level at each gas refuelling station to provide an estimate on the amount of natural gas required on a weekly and monthly basis and to confirm with our operating staff from the respective stations and report to PetroChina.

2. *Transmission of natural gas to our Jingzhou Primary Station*

The process involves the transmission of natural gas from PetroChina to our Jingzhou Primary Station. Natural gas we procured from PetroChina is transmitted to the Jingzhou Primary Station through pipelines of approximately 5.0 km in length from PetroChina's Transmission Substation. As advised by our PRC Legal Advisers, we have complied with all applicable PRC laws and regulations in all material aspects with regard to the construction of the pipelines. Meter readings for the volume of natural gas supplied will be taken at PetroChina's Transmission Substation by staff of PetroChina. Both the meters of PetroChina and the meters installed at the Jingzhou Primary Station will record the amount of natural gas supplied to us. Our Directors confirm that our Group did not experience any material delay in transmission of natural gas during the Track Record Period.

3. *Logistics transfer of CNG to our gas refuelling stations*

Logistics transfer of CNG refers to the delivery of CNG from Jingzhou Primary Station to our gas refuelling substations through tanker trucks operated by third-party logistic service companies. During the Track Record Period, to ensure safe and reliable transportation of CNG, we entered into annual service agreement with various logistics service companies, all of which are Independent Third Parties, for the provision of CNG transportation services. We make an annual lump-sum payment to each of the logistics service companies and settle our transportation fee incurred through bank transfer.

4. *Sales of CNG at our gas refuelling stations*

When a retail customer arrives at our gas refuelling stations, our staff will operate the CNG dispensers to fill the vehicle according to the customer's request. Our gas refuelling stations are equipped with a range of four to six dispensers while each gas dispenser comes with two dispensing nozzles. The dispensers at our stations are connected to built-in computerised control panels which are installed and connected to a transaction tracking software. We provide orientation to our new employees and trainings to our staff on a regular basis relating to operation of the control panels and dispensers. We do not enter into any long-term agreements with our retail customers.

5. *Settlement*

We provide different settlement methods to our retail customers. Individual retail customers, such as taxi and private vehicle drivers may settle payment by (i) cash; (ii) presenting a pre-paid card and deducting the purchase sum from their account; and (iii) electronic peer-to-peer money transfer through third party online service provider. We charge our individual retail customers according to the volume of CNG consumed by them as measured by our meters. Some of our corporate retail customers made prepayment to us by depositing cash into and crediting their corporate customer accounts. Upon presentation of the pre-paid card, which is linked to a designated corporate vehicle, the unit price and per unit discount as agreement with the customer would be displayed on the control panels at the gas refuelling stations. The purchase amount is also simultaneously deducted from the respective corporate retail customers' accounts.

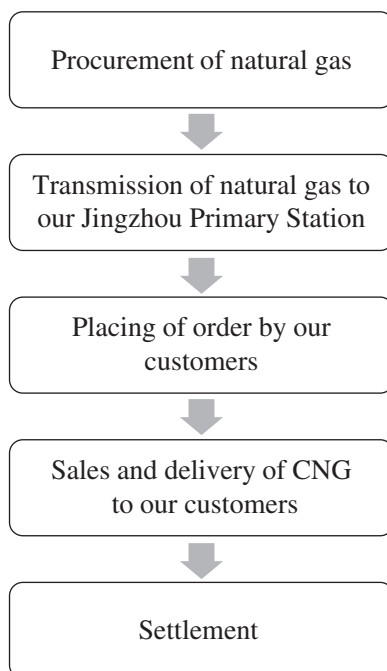
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Public bus customers settle payment to us on a monthly basis by telegraphic transfer. Pursuant to the annual supply agreement we entered into with Jingzhou Public Transport, the payment amount is calculated based on the actual volume of CNG consumed for the prior month and payment shall be made no later than the tenth day of the subsequent month.

Wholesale operation

CNG

Our wholesale operation involves the following key processes: (i) procurement of natural gas; (ii) transmission of natural gas to our Jingzhou Primary Station; (iii) placing of order by our customers; (iv) sales and delivery of CNG to our customers; and (v) settlement.



1. Procurement of natural gas

Please see above “Retail operation – 1. Procurement of natural gas” for details.

2. Transmission of natural gas to our Jingzhou Primary Station

Please see above “Retail operation – 2. Transmission of natural gas to our Jingzhou Primary Station” for details.

3. Placing of order by our customers

Pursuant to the framework supply agreements entered into by our Group and our wholesale customers, customers are required to notify our Group 15 days in advance from the first day of each month of the estimated upcoming demand for CNG. Customers will further confirm the exact volume of CNG (subject to the estimated volume provided to us earlier) and provide delivery details to our sales and marketing team on the day of delivery.

4. Sales and delivery of CNG to our customers

Our sales and marketing team input customers' orders to our transaction tracking system and issue invoices upon confirmation provided by our customers. Our sales and marketing team then pass the delivery orders to the staff at our Jingzhou Primary Station or one of our substations to arrange delivery schedule. Some wholesale customers use their own tanker trucks to pick up CNG purchased from us, but we also offer delivery services to our customers. We engage third-party logistics service companies to provide transportation services for delivery of CNG to our wholesale customers. The delivery arrangement might vary depending on the terms of each framework supply agreement we entered into with each of our wholesale customer.

5. Settlement

Depending on the terms of the framework supply agreement we entered into with our wholesale customers, some of our wholesale customers make prepayment monthly by telegraphic transfer for the estimated volume of CNG to be ordered each month and settle the final sum calculated based on the actual volume purchased on the 25th day of each month with excess amount paid deducted from the final settlement sum of the subsequent month, while some of our wholesale customers are only required to make payment based on our issued invoice on the last day of each month calculated based on the actual volume supplied. For more details of our arrangement with our wholesale customers, please see "Customers – Wholesale customers" below in this section.

LNG

We bulk purchase LNG from LNG suppliers which are Independent Third Parties. The LNG ordered are delivered to our customers directly by our LNG suppliers through its LNG tanker truck after we notify the LNG suppliers the volume of LNG our customers wish to purchase. Our customer countersigns the delivery note issued by the LNG suppliers after the LNG is delivered to our customers. We will then make payment to the LNG suppliers upon receipt of the delivery note.

OUR GROUP'S SUSTAINABILITY AND FUTURE DEVELOPMENT

We primarily engage in the sales of CNG and derive our revenue from both retail and wholesale customers in Jingzhou, Hubei Province. Our local presence provides a platform for us to establish our reputation through our retail operation in the industry, whereby allows us to reach out to potential wholesale customers. Our sales volume from our wholesale customers increased from 12.0 million m³ for FY2016 to 12.9 million m³ for FY2017. In addition, we have entered into several new supply agreements with our wholesale customers. In light of the continuous demand from our wholesale customers, we will continue to expand our wholesale operation.

Our future profitability depends on the volume of CNG we supply to our customers as we have limited control over the pricing of CNG for our customers and purchase cost of natural gas from our supplier. In light of the nature of natural gas industry and our business, our fixed cost of operation is higher due to the depreciation charge of our gas refuelling stations and our fixed assets. As a result of the highly regulated price determination regime with the benchmark city station gate prices determined by the NDRC and the maximum selling prices set by the local price bureau in the natural gas industry, the growth and development of natural gas operation usually depends on the growth of sales volume. According to the F&S Report, natural gas downstream suppliers will usually grow their business and improve their profit margins by increasing their sales volume through expanding their gas refuelling station networks; strengthening their relationships with larger CNG retail customers and growing their wholesale operations. We believe that our profitability and results of operations will improve as our sales volume of CNG surpasses the breakeven point of our operation (i.e. our incremental revenue after cost of inventories sold will directly generate further gross profit, after our fixed cost is covered). The breakeven point of our operation (which refers to a point where direct gross profit, i.e. revenue minus cost of inventories sold is equivalent to fixed operating cost excluding depreciation) in terms of sales volume amounted to 15.9 million m³, 13.8 million m³ and 12.0 million m³ for FY2015, FY2016 and FY2017, respectively. Accordingly, our ability to withstand varying market conditions will be greatly enhanced.

Our Directors are of the view that the performance and operation of our Group is sustainable and will continue to expand going forward due to the following reasons:

Development and growth of existing wholesale operation

Our sales volume from our wholesale customers increased from 12.0 million m³ for FY2016 to 12.9 million m³ for FY2017. In light of the continuous demand from our wholesale customers, we will continue to expand our wholesale operation.

According to the F&S Report, the industrial natural gas volume of Jingzhou, Hubei Province, increased from 44.1 million m³ in 2012 to 69.3 million m³ in 2016, with a CAGR of 12.0%. From 2017 to 2021, the industrial natural gas volume is expected to increase from 75.4 million m³ to 105.5 million m³, with a CAGR of 8.8%. Taking into consideration a series of government policies to support the replacement of coal-fueled boilers with cleaner gas-fired boilers, we believe that there will be an increase of consumption of natural gas in the industrial sector and our existing wholesale business will continue to grow in the future as demonstrated by the new supply agreements we entered into with our new customers below.

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New supply agreements

We have entered into nine supply agreements with four existing customers and five new customers during FY2017. Based on agreements we entered into with our wholesale customers, minimum purchase volumes are generally not stipulated in the agreements. However, in order to improve our Group's profitability and continue to expand going forward, we have entered into two new supply agreements with minimum purchase obligation. As advised by our PRC Legal Advisers, such supply agreements are valid and enforceable under the PRC laws and regulations. The salient terms of the new supply agreements that we entered into with two key new customers are set out below:

	Customer A ("New Customer A")	Customer B ("New Customer B")
Principal of business:	Principally engages in supply of fuel, and an indirect subsidiary of a listed company in the Stock Exchange	Principally engages in the production of shoes and packaging materials
Location:	Jingmen, Hubei Province	Xiantao, Hubei Province
Contracted annual sales volume:	3.6 million m ³	4.0 million m ³
Annual minimum purchase volume:	2.9 million m ³ (80% of contracted sales volume)	3.2 million m ³ (80% of contracted sales volume)
Term:	From 18 October 2017 to 17 October 2018 ⁽¹⁾	From 2 November 2017 to 1 November 2022
Prepayment:	A deposit of RMB0.3 million has been paid to our Company	A deposit of RMB0.5 million has been paid to our Company
Termination:	There is no termination clause in the agreement	There is no termination clause in the agreement

Note:

- (1) We usually negotiate the renewal of agreement with our customer one to three months prior to the expiry of the agreement. Thus, as at the Latest Practicable Date, the Company has not started the process of negotiation for renewal with Customer A.

Under the above supply agreements, the actual sales volume shall be at least 80% of the sales volume (i.e. minimum purchase volume). In the event that the actual purchase volume is lower than the minimum purchase volume, New Customer A and New Customer B shall pay our Group any purchase shortfall arisen, and the aggregate minimum purchase volume of these two customers are approximately 6.1 million m³, which represent approximately 47% of our total wholesale volume for the year ended 31 December 2017. Our Directors estimate that these two customers will contribute a stable demand of the Group's CNG going forward. In addition to New Customer A and New Customer B, our Group is taking initiatives to explore additional wholesale customers.

To guarantee the performance of the supply agreement, New Customer A and New Customer B have advanced prepayment of RMB0.3 million and RMB0.5 million, respectively, to our Group, and it shall settle the purchase shortfall by off-setting the prepayment in the event that the actual purchase volume is lower than the minimum purchase volume.

Based on the information and belief of our Directors, New Customer B will use the CNG for their continuous operation of gas-fired boilers as part of their initiative to support government policies relating to the replacement of coal-fueled boilers with cleaner gas-fired boilers.

In addition to the new supply agreements entered into with New Customer A and New Customer B, despite there were generally no minimum purchase volume in the supply agreements entered into with wholesale customers, based on (i) the long business relationship of over five years with our major customers; (ii) the continuous orders from these customers since 2012 and up to the Latest Practicable Date; and (iii) the stable revenue generated from these customers during the Track Record Period, our Directors are of the view that our wholesale customers will provide stable revenue stream to our Group.

Expansion of gas refuelling stations in light of stable and sustainable of CNG industry in local transportation sector

The CNG demand for vehicular users remains relatively stable. The vehicle-use natural gas market in Jingzhou, Hubei Province is expected to increase from 56.4 million m³ in 2017 to 64.9 million m³ in 2021, representing a CAGR of 2.7%, and the number of buses and taxis are expected to increase from around 1,000 and 2,000 units in 2016 to 1,300 and 2,200 units by 2020, respectively, in the central area, in which most of them are expected to be fueled by natural gas.

According to the F&S Report, electric vehicle provides an alternative to NGVs for clean energy solution of transportation, however the impact of electric vehicles on our natural gas operation is minimal because (i) there will be sufficient demand for CNG vehicles going forward; (ii) the decrease in subsidies for electric vehicles from the PRC Central Government by 20% in 2017 and 2018 and by 40% in 2019 and 2020 from that in 2016, according to Notice on Financial Support for Promotion of New Energy Vehicle from 2016 to 2020 (2016-2020年新能源汽車推廣應用財政支持政策的通知); (iii) there is a high upfront investment for electric buses; and (iv) the share of electric buses among all buses was only around 5% and the share of electric vehicles among all automobiles was less than 0.1% in Jingzhou, Hubei Province. Please see “Competition” in this section for further details.

In order to increase our market share in the retail industry, to capture the new customers which are currently not within the service radius covered by our existing gas refuelling stations, to increase our sales volume to retail customers and to maximise our reach to potential wholesale customers as retail business provides us a platform to establish our reputation, we are intending to expand our gas refuelling station network by establishing more gas refuelling stations, including one new combined CNG/LNG refuelling station and one CNG refuelling

station adjacent to an existing petroleum station. It is estimated that the daily traffic flow of our new gas refuelling stations is around 500 vehicles per day, which our Directors believe the majority of them will be our potential new customers. The expansion of our gas refuelling station network would enable us to reach out to new retail and wholesale customers, thereby allows us to diversify and enlarge our customer base.

Our sales and marketing department has also rolled out a new customer loyalty programme as at the Latest Practicable Date, whereby our retail customers will enjoy a small discount upon their eligible spending at our gas refuelling stations if they make payment using electronic peer-to-peer money transfer through third party online service provider. Please see “Sales and Marketing” in this section for further details. Based on the above, by expanding our gas refuelling station network and increasing our presence in the region, we believe that our reputation among potential and existing customers will be further enhanced. It is also expected the sales volume of CNG and our profitability will significantly improve as a result of our expanded gas refuelling station network.

Favourable government policies

According to the F&S Report, China is improving its energy consumption structure by shifting from coal to cleaner energy such as natural gas and other renewable energy. In recent years, the PRC government has issued a series of policies to support further development and utilisation of natural gas and natural gas vehicles such as Guidelines of Energy Work in 2017 (2017年能源工作指導意見), Opinions on Accelerating the Use of Natural Gas (關於加快推進天然氣利用的意見) in 2016, Action Plan of Energy Development Strategy (2014-2020) (能源發展戰略行動計劃(2014-2020年)) in 2014, and Natural Gas Using Policy (天然氣利用政策) in 2012. In late 2016, the NDRC issued the 13th Five-Year Plan for Natural Gas Development (天然氣發展「十三五」規劃), proposing to increase the production of natural gas to 207.0 billion m³ by 2020, and decrease the proportion of coal consumption to less than 58.0% during the 13th Five-Year Plan period. We believe that the favourable government policies and industry trends in the PRC will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas across different industries.

To respond to policies issued by the central PRC government, the Jingzhou Municipal Government has followed suit and implemented various policies to promote the utilisation of natural gas, for example, the Implementation Scheme of Abandonment of Coal-fired Boiler in Jingzhou's Central City Area (荊州市中心城區淘汰燃煤鍋爐實施方案), which prohibits the use of coal-fired thermal power plant boilers since July 2015 and the use of such boilers shall be phased out in three stages. According to the Plan of Jingzhou's Urban Integrated Transportation System (2015-2030) (荊州市城市綜合交通體系規劃(2015-2030)), Jingzhou is also going to increase the number of buses and taxis continuously, from around 1,000 and 2,000 units in 2016 to 1,300 and 2,200 units for bus and taxi, respectively, in the central area by 2020, which most of them are expected to be fueled by natural gas. According to the F&S Report, the vehicle-use natural gas market in Jingzhou is expected to increase from 56.4 million m³ in 2017 to 64.9 million m³ in 2021, representing a CAGR of 2.7%. In view of the active promotion of clean energy in the public transportation sector, over 90% and around 80% of the

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buses and taxis were and are expected to be fueled by natural gas in Jingzhou central area in 2016 and 2021, respectively. In light of the above government initiatives and policies demonstrating its commitments towards clean energy and environmental management, we believe that our Group will continue to capture the growth potential in the industry and to enjoy the benefits resulting from these policies and industry trends.

Our Director's view

We believe that our profitability and results of operation will improve as our sales volume of CNG surpasses the breakeven point of our operation and our ability to withstand varying market condition will be greatly enhanced accordingly. Based on our Group's business model, taking into account the followings:

- (a) the increase in our Group's sales volume for wholesale business from 12.0 million m³ for FY2016 to 12.9 million m³ for FY2017 and the growth potential in our Group's wholesale operation;
- (b) the two new supply agreements entered by our Group with an aggregate minimum purchase amount of 6.1 million m³ which represent approximately 47% of the total wholesale volume for FY2017 and potential demand of CNG from existing wholesale customers;
- (c) stable growth of the CNG industry in local transportation sector with minimal competition from electric vehicles and our Group's plan in establishment of one new combined CNG/LNG refuelling station and one new CNG refuelling station to capture the increasing demand from customers; and
- (d) favourable government policies in support of further utilisation of natural gas,

our Directors are of the view that our Group is sustainable and will continue to expand going forward.

HEALTH, WORK SAFETY CONTROL, SOCIAL AND ENVIRONMENTAL MATTERS

Since sale of natural gas involves risks and hazards due to its flammable and explosive nature, we are committed to conducting our operations in compliance with applicable health, work safety, social and environmental protection laws and regulations and we always strive for a high safety standard of our gas station operation and our staff. We have implemented various procedures and systems to reduce the likelihood of accidents and hazards.

Health and Work Safety

As required by PRC laws and regulations, including the Labour Contract Law of the PRC (中華人民共和國勞動合同法) and its accompanying regulations, the Labour Law of the PRC (中華人民共和國勞動法) and Opinions on Several Questions concerning the

Implementation of the Labour Law of the PRC (關於貫徹執行中華人民共和國勞動法若干問題的意見), we are required to have health and safety policies to ensure a safe working environment for our employees, and we are also required to provide health and safety training to our employees. We have implemented a comprehensive health and safety system. Our health and safety system primarily focuses on the following aspects:

- *Implementation of precautionary measures:* we take precautionary measures against fire hazards, theft, accidents and machinery damage. Our health and safety system identifies our exposure to potential workplace safety and healthcare hazards and outlines the precautionary measures and arrangements designed to eliminate and control those hazards to ensure that a high standard of health and safety is maintained in the workplace. We have implemented a safety monitoring system along the pipeline network for detection of any leakage or other gas incident and we have also added a readily detectable but harmless odour to our natural gas so that users and the general public can be alerted to gas leakage. We have put up different bulletin boards that set out the operational procedures of dispenser and loading of gas to tanker trucks at our gas refuelling stations for our frontline employees. We also conduct fire drill regularly to promote fire safety knowledge and hazard awareness among our frontline employees.
- *Emergency response, notification and accident handling:* we have an established accident response system. We have issued an internal policy which addresses industry safety, workplace and emergency hygiene and traffic accidents. The measures specify the responsibilities of each department in the event of an accident, including accident notification procedures, investigation, attribution of liability and penalties. The head of our safety and maintenance department shall be responsible for assisting with emergency responses, investigating the cause of accidents and preparing summary reports.
- *Equipment maintenance:* we repair and maintain all our facilities and equipment on a regular basis. We also upgrade our equipment by installing additional safety features to prevent or mitigate future work injuries and accidents.
- *Safety training:* we provide regular safety trainings to all our employees. Newly recruited employees must go through a series of safety training sessions provided by our safety officers. Employees operating key equipment must participate in periodic safety training. Before we employ any new equipment, the operating employees must be specifically trained with respect to the safety issues involved.
- *Risk management:* according to our health and safety system, in order to ensure we are able to provide a safe working environment to our employees, we have a safety officer at each of our gas refuelling stations to conduct daily safety inspections on our production facilities, such as, compressors, dryers, gas cylinders and pipelines, to eliminate potential safety hazards in our production process.

Except the 2012 Incident and 2014 Incident as disclosed below, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any material accidents or worker injuries and were not subject to any material penalties by PRC regulatory authorities. As advised by our PRC Legal Advisers and confirmed by our Company, during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations in all material respects in relation to labour and labour safety.

2012 Incident

In December 2012, a gas leakage incident happened at the Nanhuan Substation (the “**2012 Incident**”). There was a gas leakage because a poor quality high-pressure hose burst whilst connected between the tanker truck and the unloading container. It did not cause a fire nor explosion. No losses was incurred by the Group and no injuries were recorded.

We have implemented the followings measures immediately after the incident in accordance with the PRC Regulation on the Administration of Urban Gas (城鎮燃氣管理條例):

- (a) training sessions were provided to our staff to further improve their safety awareness;
- (b) poor quality high-pressure hoses were disposed of and better quality ones are adopted;
- (c) effective measures were taken to repair and improve the Group’s equipment at our gas refuelling stations;
- (d) a safety officer was appointed at each of our gas refuelling stations to conduct daily safety inspections on our production facilities;
- (e) a comprehensive investigation of hidden dangers was carried out; and
- (f) an emergency drill was conducted upon the completion of the rectifications.

2014 Incident

In July 2014, a natural gas leak deflagration accident occurred at our Jingzhou Primary Station (the “**2014 Incident**”). When our staff was filling CNG in the tanker trunk, the driver accidentally ignited the engine of the tanker truck whilst the refuelling nozzle was still attached to the tanker truck’s CNG fuel receptacle. The CNG that leaked through the fractured refuelling nozzle triggered a fire. The fire ended within two hours and no fatal injuries were recorded. According to the statement of Jingzhou Economic and Technological Development Zone Public Security Fire Brigade (荊州經濟技術開發區公安消防大隊火災事故認定書), the incident was due to the driver ignited the engine of the tanker truck whilst the refuelling nozzle was still attached to the tanker truck’s CNG fuel receptacle without permission from our Company’s staff. No material losses was incurred by the Group except the loss of business due to the fire. As at the Latest Practicable Date, we have not received any claim for compensation, no provision has been made in our accounts and the incident has been settled.

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We have undertaken a number of remedial actions to prevent similar incidents:

- (a) drivers must turn off the vehicle engine and step out of the vehicle during the refuelling process;
- (b) refuelling nozzle will automatically be put to halt when disconnected during the refuelling process;
- (c) our existing safety facilities are upgraded and renovated on a regular basis;
- (d) a safety officer is appointed at each of our gas refuelling stations to conduct daily safety inspections on our production facilities;
- (e) regular training sessions in relation to the operation of the control panels and provisions of refuelling services to our retail customers are provided to our staff; and
- (f) a more comprehensive health and safety system regarding precautionary measures; emergency response, notification and accident handling; equipment maintenance; safety training; and risk management is implemented.

Our Directors are of the view that the disruption caused by this accident has no material adverse impact on our Group's operation and financial position. As a result of the above incidents, we have implemented various policies, such as production line inspection system, tanker truck safety management system and accident handling system, to prevent the recurrence of gas leakage. We perform the following measures on a daily basis to prevent and detect gas leakage: (i) our safety officer on duty will inspect all equipment, such as pipes and hoses, valves, filters, compressor, dryer, and meters from time to time to identify any unusual sound or smell and physical wear-and-tear, and to monitor the meter readings on various gas meters installed along the gas pipes, and in cases where gas leakage is detected, the safety officer shall immediately notify the station manager so repair work can be carried out timely; (ii) the keys of the tanker trucks shall be passed to and kept by gas station operator prior to gas refuelling or loading of CNG into the tanker truck; and (iii) the driver of the tanker truck can only ignite the engine after the gas station operator confirms the removal of refuelling nozzle. Up to the Latest Practicable Date, there was no further occurrence of any gas leakage incident, and accordingly, our Directors are of the view that the remedial measures adopted after the 2012 Incident and 2014 Incident are effective.

We believe that our health and safety system will continue to help us ensure employee health and safety as we continue to expand our operations. However, there can be no assurance that material accidents will not occur in the future. For details of the risks relating to our operation, please see "Risk factors – Risks Relating to our Business and Industry – We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject to" in this prospectus.

Environmental Matters

Our operations are subject to PRC environmental laws and regulations relating to the construction and operation of natural gas stations. In particular, we are subject to PRC environmental laws and regulations promulgated by both the central and local governments, including but not limited to the Environmental Protection Law (中華人民共和國環境保護法). We consider the protection of the environment to be paramount and have implemented procedures in our gas refuelling stations to ensure our compliance with all applicable requirements. In light of the Environmental Protection Law, the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the PRC on Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), we have adopted measures under our environment management policy, including but not limited to: (i) installation of re-circulation water cooling system; (ii) implementation of greening in the operation premises; (iii) installation of sound reduction measures to avoid noise pollution; (iv) engagement of solid waste collectors to collect, transport and treat refuse and waste products; and (v) minimising the amount of residual gas released to the atmosphere at our dispensers. Our environmental procedures have consistently been in compliance with applicable environment standards in our gas refuelling stations.

As advised by our PRC Legal Advisers and confirmed by our Company, we were in compliance with applicable environmental laws and regulations in all material respects during the Track Record Period. Our construction projects and operations had been in compliance with the requirements and standards under the stipulations of national and local laws and regulations on environmental protection. As at the Latest Practicable Date, our Group is not subject to any major fines or administrative penalties for failing to comply with any relevant environmental regulations.

Our Directors confirm that the annual cost of compliance with applicable health, work safety, social and environmental protection laws, regulations and policies was not material during the Track Record Period and is not expected to be significant for the year ending 31 December 2018.

MAINTENANCE OF OUR FACILITIES

We consider proper maintenance and management of our facilities essential to our operation. As at the Latest Practicable Date, we had a team of five staff, which was responsible for the safety, maintenance and technical upgrade in respect of the following areas: (i) maintenance of gas refuelling stations and pipelines; (ii) deployment of safety monitoring systems; and (iii) methods to raise safety standards.

We have in place procedure manuals and policies to cover the maintenance of our infrastructures and facilities, such as, compressors, dryers and gas cylinders, at our gas refuelling stations. The manuals and policies set out the possible dysfunction of different types

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of the facilities and their corresponding corrective measures to be taken. According to our manuals and policies, our safety officers at our primary station and substations will conduct daily inspections on our production facilities to see if they meet our safety and operational standards and update a register regularly for proper record keeping. Only staff who possess the necessary qualifications are allowed to perform maintenance work and the maintenance work which include: (i) maintenance of our main pipeline connecting PetroChina's Transmission Substation and our Jingzhou Primary Station; (ii) daily inspection of pipe fittings to detect any gas leakage; (iii) replacement of crankcase lubricant oil for every 600 operational hours; (iv) inspection of components of compressors for every 800 operational hours; and (v) cleansing of dispensers when they are not in use. In particular to our facilities, our safety inspection officer will conduct morning and afternoon inspection daily on the infrastructures, monthly examination on the degree of rusting on exposed pipes, and conduct semi-annual inspection on cathodic protection system of underground transmission pipelines. If gas leakage is detected, our inspection officer will immediately perform emergency contingency measures according to our manuals and report gas leakage immediately to our technicians to carry out repair work.

CASH MANAGEMENT

We receive cash settlement from our retail customers at our gas refuelling stations. We pay critical attention to cash management, accountability and security. To ensure the accuracy of record keeping of customers' invoices, our staff enter the relevant details along with their staff identification number into our transaction tracking system after checking with our customers the amount of CNG they wish to purchase.

To avoid misappropriation or illegal use of cash, we have implemented a cash management system with a set of cash handling and custody procedures which apply to all of our gas refuelling stations. Prior to changing shift, our staff at our gas refuelling stations will hand over the cash received to the station cashier based on the relevant settlement information provided by our transaction tracking system and they will countersign an acknowledgement record confirming the sales volume and cash handled during their shift. The cash collected daily at each of our gas refuelling stations and pre-paid card records will be submitted by the respective station manager to one personnel from our finance department for review and audit. Cash received are deposited to our designated bank accounts on a daily basis. We conduct checks on daily, weekly and monthly basis to ensure the reconciliation between the cash receipts recorded in our transaction tracking system against the cash kept at the cash register at each of our refuelling stations and maintain a written record of all our reconciliation checks.

QUALITY CONTROL

We believe that the quality of our products is crucial to our continued growth. We place great emphasis on quality control and have implemented stringent monitoring and quality control systems to manage our operations. As natural gas is our principal raw material, its quality is fundamental in determining the quality of our services and operation. We source all natural gas directly from PetroChina, a nationwide reputable oil/gas producer in the PRC,

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which could consistently meet our demand and quality requirements. Prior to 2016 before PetroChina had an electronic system in place, we would send our staff to PetroChina's Transmission Substation to collect the daily gas composition analysis reports and to review the test result of the natural gas supplied to us. With the PetroChina's electronic system implemented, our staff will download the daily reports from PetroChina's website every day. We will also review the sulphur and moisture content of the natural gas and keep record of all daily gas composition analysis reports prepared by PetroChina.

In July 2015, our Group was fined RMB284,000 by the Jingzhou Bureau of Quality and Technical Supervision (荊州市質量技術監督局) with regard to a product quality issue relating to moisture content level of the CNG. As confirmed by the sub-unit of Jingzhou Bureau of Quality and Technical Supervision, the main cause of the quality issue was due to the unstable and fluctuating moisture content level of the CNG. Notwithstanding the above, immediately after such incident, we have reinforced and strengthened our monitoring of the moisture content level of CNG to ensure that it is up to the national standard. Our Directors confirmed that no similar incidents has occurred since July 2015 and up to the Latest Practicable Date.

LOGISTICS

In order to focus on the operation of our gas refuelling stations and as an initiative to manage our operational risk, we outsource the logistic service of CNG to professional third party service providers. To ensure safe and reliable transportation of natural gas to our gas refuelling substations and certain wholesale customers from Jingzhou Primary Station, we entered into annual agreements with various logistics service companies, all of which are Independent Third Parties, for the provision of natural gas transportation services. We make an annual lump-sum payment to each of the logistics service companies and settle our transportation fee incurred by bank transfer. Pursuant to the service agreements we entered into with each of the logistics service companies, the logistics service companies shall operate our tanker trucks to transport natural gas exclusively for our Group. During the Track Record Period and up to the Latest Practicable Date, we have not suffered any loss or paid any compensation as a result of delays in delivery or poor handling by third-party logistics service companies.

INVENTORY CONTROL

We do not maintain inventory in our business operation except those remained in the pipelines during transmission. Thus we recorded insignificant balances of natural gas as at each of the balance sheet dates during the Track Record Period.

SALES AND MARKETING

We believe word-of-mouth referrals will continue to be a highly effective marketing channel for our gas refuelling services especially for retail customers. Our sales and marketing department will arrange sales visits to existing wholesale customers, and make presentation to and develop relationships with potential customers from time to time. They are also responsible

for developing our new customer loyalty programme. As at the Latest Practicable Date, we have rolled out the customer loyalty programme, our retail customers will enjoy a discount upon their eligible spending at our gas refuelling stations if they make payment using electronic peer-to-peer money transfer through third party online service provider. No financial impact has been reflected in our financial results during the Track Record Period and our Directors believe that such programme will not have any material impact on our future financial performance.

PRICING

We set and adjust our price for CNG taking into account the following factors: (i) procurement cost of the CNG; (ii) our business relationship with the relevant customers; and (iii) pricing guidelines imposed by Hubei Price Bureau and Jingzhou Price Bureau. According to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities. The NDRC determines the benchmark city station gate prices on which our purchase price for natural gas is based. Local government authorities such as Hubei Price Bureau and Jingzhou Price Bureau determine the exact maximum end-user selling prices.

In general, we have limited control over the pricing of CNG for our customers. During the Track Record Period, our selling price for taxis and private vehicles were close to the maximum selling price for vehicular users set by the government and our ability to pass any purchase price increase to them is limited. On the other hand, while we are entitled to adjusting the selling price for buses and wholesale customers up to the maximum level set by the government in the event of purchase price increase, we look into various factors, such as our business relationship with the customers, when determining our selling price for them.

Since November 2015, according to the Notice of the NDRC on the Lowering Non-Residential Natural Gas Gate Prices and Further Promoting the Reform of the Market Price (國家發展改革委關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知), industry players are allowed to charge up to 20% more than benchmark city station gate prices based on supply and demand, and there is no downward limit for price fluctuations. Regardless of such 20% allowable adjustment, PetroChina eliminated the 10% adjustment that it previously charged the Group since November 2016 and reduced our purchase price to the benchmark city station gate price in March 2017. In addition, based on our experience and understanding of the industry, as natural gas is a strategic resources in the PRC, it is a mechanism whereby allowing PetroChina to regulate the demand and supply for resource allocation purpose, and it is not always a one-way increase of the purchase price since PetroChina might also decrease the purchase price. Effective from 1 September 2017, the NDRC reduced the gateway station price of natural gas (VAT exclusive) from RMB1.73/m³ to RMB1.68/m³. Accordingly, PetroChina reduced our purchase price (VAT exclusive) to RMB1.68/m³ starting from 1 September 2017. PetroChina increased our purchase price (VAT exclusive) to RMB1.84/m³ starting from 1 November 2017. Please see “Regulatory Overview – Price Determination Regime of Natural Gas” in this prospectus for information on the regulatory regime for pricing of natural gas.

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In addition, effective from 1 July 2017, the applicable VAT rate for the Group to sell or procure natural gas has been reduced from 13% to 11%. Assuming all other factors remain unchanged, the Group's revenue, gross profit, gross profit margin, net profit and net profit margin would increase. Subsequently, effective from 1 September 2017, the Group's selling price of CNG to retail and wholesale customers decreased by approximately 3%, as a result of the decrease in the maximum selling price determined by Jingzhou Price Bureau in September 2017. Combining the impact of the (i) VAT rate reduction and (ii) decrease in the selling price of CNG, there is no material effect on our Group's profitability.

CUSTOMERS

Our customers include retail and wholesale customers. Majority of our retail customers are drivers of public transportation vehicles, such as taxis and buses, whereas majority of our wholesale customers are urban gas companies, gas refuelling station operators and industrial users. For FY2015, FY2016 and FY2017, our five largest customers in aggregate accounted for approximately 66.9%, 66.8% and 61.0%, of our total revenue, respectively. During the respective periods, our largest customer accounted for approximately 26.4%, 29.9% and 26.4%, of our total revenue, respectively. The credit period is generally one month, and subject to management approval, may extend up to three months for our major customers. Set forth below is the details of our five largest customers during the Track Record Period:

For the year ended 31 December 2015

Rank	Customer's name	Year commencing business relationship with us	Nature of customer	Sales to the customer	
				RMB'000	% of our total revenue
1	Jingzhou Public Transport ⁽¹⁾	2012	Retail	22,173	26.4%
2	Customer B ⁽²⁾	2013	Wholesale	21,300	25.4%
3	Customer C ⁽³⁾	2012	Wholesale	5,164	6.1%
4	Hubei Xingfu Aluminum Material Company Limited (湖北幸福鋁材有限 公司) ("Hubei Xingfu") ⁽⁴⁾	2012	Wholesale	4,333	5.2%
5	Jinshi Youhe Natural Gas Filling Station (津市市友和天然氣汽車加氣站) ("Jinshi Youhe") ⁽⁵⁾	2012	Wholesale	3,228	3.8%
Total sales to our five largest customers				56,198	66.9%

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For the year ended 31 December 2016

Rank	Customer's name	Year commencing business relationship with us	Nature of customer	Sales to the customer	
				RMB'000	% of our total revenue
1	Jingzhou Public Transport	2012	Retail	19,051	29.9%
2	Customer B	2013	Wholesale	15,282	24.0%
3	Jinshi Youhe	2012	Wholesale	3,833	6.0%
4	Lixian Chuangyi Gas Company Limited (澧縣創意燃氣有限公司) ("Lixian Chuangyi") ⁽⁶⁾	2012	Wholesale	2,936	4.6%
5	Gong'an County Xingcheng Gas Company Limited (公安縣興成燃氣有限公司) ("Xingcheng Gas") ⁽⁷⁾	2012	Wholesale	1,438	2.3%
Total sales to our five largest customers				42,540	66.8%

For the year ended 31 December 2017

Rank	Customer's name	Year commencing business relationship with us	Nature of customer	Sales to the customer	
				RMB'000	% of our total revenue
1	Jingzhou Public Transport	2012	Retail	17,347	26.4%
2	Xingcheng Gas	2012	Wholesale	9,699	14.8%
3	Customer B	2013	Wholesale	7,629	11.6%
4	Hubei Xingfu	2012	Wholesale	2,710	4.1%
5	Lixian Chuangyi	2012	Wholesale	2,677	4.1%
Total sales to our five largest customers				40,062	61.0%

Notes:

- (1) A state-owned public transportation company established in Hubei Province, PRC in 1995 and with a registered share capital of RMB35.2 million. It operates one of the largest bus fleet in Jingzhou, Hubei Province and has bus routes covering urban and rural area of Jingzhou, Hubei Province.
- (2) A branch office of a petroleum and fuel sales company established in the PRC in 1985 and with a registered share capital of RMB28,403.0 million. The branch office was established in 2000. It is a branch office of a wholly-owned subsidiary of China Petroleum and Chemical Corporation (stock code: 0386), a listed company on the Main Board of the Stock Exchange, headquartered in Beijing. It is principally engaged in the supply and sales of refined oil, natural gas, lubricating oil and fuel oil.
- (3) A private gas company established in Hunan Province, PRC in 2003 and with a registered share capital of RMB2 million. It is principally engaged in the development, installation and maintenance of gas pipeline projects, sales of gas cooking appliances, spare parts, accessory parts and water heaters-related accessories and sales of pipeline gas.
- (4) A private metal company established in Hubei Province, PRC in 1993 and with a registered share capital of RMB100.0 million. It is principally engaged in the production and sales of aluminium alloy material and processing and sales of aluminium-related products.

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- (5) It is a private gas company established in Hunan Province, PRC in 2009 and with a registered capital of RMB10.0 million. It is principally engaged in the sales of natural gas, vehicle spare parts and engine oil.
- (6) A private gas company established in Hunan Province, PRC in 2008 and with a registered share capital of RMB10.0 million. It is principally engaged in the sales of natural gas.
- (7) A private gas company established in Hubei Province, PRC in 2001 and with a registered share capital of RMB10.0 million. It is principally engaged in the supply of pipeline gas and bottled gas, and installation of gas pipeline. They also provide maintenance service of gas cooking appliance and engage in sales of cooking utensils, household products and building materials. Tongxing, of which the entire equity interest was disposed of in November 2015 by Tonglin Gas, is held as to 3.2% by Customer G.

Retail customers

We do not usually enter into supply agreements with our vehicular retail customers. However, Tonglin Gas entered into annual supply agreements with Jingzhou Public Transport, our largest customer during the Track Record Period. Our Directors confirm that there had not been any material breach of annual supply agreements with Jingzhou Public Transport during the Track Record Period. The key terms of such agreements are set forth below:

Provision of services:	Providing CNG refuelling services at our gas refuelling stations
Product requirements:	Quality of CNG shall be of national standard
Term:	One year
Price:	The unit price of CNG is fixed and varies year from year, subject to price determination policy made by local price bureau
Purchase volume:	No specified purchase volume
Payment:	Jingzhou Public Transport is required to make monthly payment based on our issued invoice calculated in accordance to the actual volume supplied.

Jingzhou Public Transport, a state-owned public transportation company which operates one of the largest bus fleet in Jingzhou, Hubei Province and has bus routes covering urban and rural area of Jingzhou, Hubei Province. As part of the strategic cooperation between our Group and Jingzhou Public Transport, we will supply CNG to them and they will lease plots of land adjacent to their bus stops to us for our gas refuelling operation. Such arrangement will ensure that their bus fleet will have access to timely gas refuelling services and that we will have suitable site for our gas refuelling operation. Pursuant to the strategic cooperation, we have also agreed to identify and provide cooperation opportunities in respect of expanding our gas refuelling stations network alongside with their development and addition of new bus routes.

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As at the Latest Practicable Date, we have been maintaining business relationship with this largest customer and we have not identified any future business opportunity to develop new gas refuelling station with Jingzhou Public Transport. Our annual supply agreement with Jingzhou Public Transport is typically one year and our Directors confirm that we have been able to renew our annual supply agreement with them since 2012. Other than the strategic cooperation which includes our supplying of CNG to Jingzhou Public Transport and the leasing of certain lands by Jingzhou Public Transport to us, there are no other arrangements entered into between Jingzhou Public Transport and our Group.

Since they are one of the few bus companies that operates bus fleet in Jingzhou, Hubei Province, our Directors consider that it is unlikely for us to reduce reliance on Jingzhou Public Transport. Notwithstanding the above, as part of our business strategies, we intend to expand our wholesale operation and our scope of products by supplying LNG to our wholesale customers, which will further develop our customer base in the long run and may reduce our reliance on Jingzhou Public Transport. In the unlikely event that our current business relationship with Jingzhou Public Transport deteriorates, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges. Please see “Risk Factors – Risks Relating to our Business and Industry – We rely on Jingzhou Public Transport and if our relationship with them deteriorates, the operations of our Group may be materially and adversely affected.”

Wholesale customers

During the Track Record Period, Tonglin Gas entered into various framework supply agreements with our wholesale customers (the “**Framework Supply Agreements**”), majority of whom are urban gas companies, gas refuelling station operators and industrial users. Our Directors confirm that there had not been any material breach of the Framework Supply Agreements during the Track Record Period. Subject to the terms of the Framework Supply Agreements which may otherwise specify an automatic renewal clause, we usually commence negotiation for the renewal of agreements with our wholesale customers one to three months prior to the expiry of the agreements. The key terms of such agreement are set forth below:

Provision of services:	Provide CNG refuelling services at one of our designated gas refuelling stations.
Product requirements:	Quality of CNG shall be of industry standard.
Term:	One year to three years, varies from customer to customer.
Price:	The unit price of CNG is fixed and subject to adjustments to any relevant government pricing policies.
Purchase volume:	The specified purchase volume of natural gas may or may not be stipulated under the agreements.

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Minimum purchase requirement:	The annual minimum purchase volume is generally not stipulated in the agreements.
Delivery:	Delivered to customers by the Group's tanker trucks or customers self-pick up using their own tanker trucks at one of our designated gas refuelling stations.
Pre-order:	Customers are required to notify our Group 15 days in advance from the first day of each month of the estimated upcoming demand for CNG.
Payment:	<p>Payment differs from customer to customer, but in general we adopt one of the following payment methods for sales to our wholesale customers:</p> <ul style="list-style-type: none">(i) Customers are required to make prepayment monthly for the estimated volume of natural gas to be ordered. Settlement date shall be the 25th day of each month and the final settlement sum shall be calculated in accordance to the actual volume supplied and be paid to our Group's designated bank account. Any excess amount paid shall be deducted from the final settlement sum of the subsequent month; and(ii) Customers are required to make payment based on our issued invoice on the last day of each month calculated in accordance to the actual volume supplied. Payment shall be made within seven working days from the invoice date to our Group's designated bank account.
Termination:	There is generally no termination clause in the agreements

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Renewal:

Renewal term varies subject to the terms of the agreements, but in general we adopt one of the following mechanisms:

- (i) Parties are required to negotiate for renewal of the agreement one to three months prior to the expiry of the agreement; or
- (ii) Agreement shall be automatically renewed until a new agreement is entered into by the parties superseding the same.

During the Track Record Period, the annual minimum purchase volume is generally not stipulated in the Framework Supply Agreements. However, in order to improve our Group's profitability and continue to expand going forward, during negotiations for renewal or signing of existing/new agreements, our Group will strive to negotiate for an inclusion of an annual minimum purchase obligation. In determining whether the minimum purchase volume is to be waived in the future, our Group will take into account the following factors: (i) the length of business relationship with the relevant customer; (ii) the credibility of the customer; (iii) the historic natural gas demand of the customer; and (iv) the future prospects and growth potential of the customer.

During the Track Record Period, none of the Directors, chief executive of our Company, substantial Shareholders or any Shareholder (which to the knowledge of our Directors will own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) or any of their respective associates (as defined in the GEM Listing Rules) has any shareholding interest in our five largest customers.

RAW MATERIALS AND SUPPLIERS

During the Track Record Period, our largest supplier was PetroChina which supplied natural gas to us, and accounted for approximately 100.0%, 99.5% and 98.3% of our total purchases for FY2015, FY2016 and FY2017, respectively. We procured a minimal volume of LNG amounted to RMB0.2 million and RMB0.8 million in FY2016 and FY2017, respectively. Due to the nature of our business activities, we had no major supplier other than PetroChina during the Track Record Period. Please see "Our Relationship with PetroChina" below in this section for further details and please see "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to risks relating to our relationship with PetroChina." for our supplier reliance risk.

During the Track Record Period, none of the Directors, chief executive of our Company, substantial Shareholders or any Shareholder (which to the knowledge of our Directors will own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) or any of their respective associates (as defined in the GEM Listing Rules) has any shareholding interest in our five largest suppliers.

OUR RELATIONSHIP WITH PETROCHINA

Prior to entering into the Master Supply Agreement with PetroChina in January 2015, we entered into an annual supply framework agreement with PetroChina. To secure a stable, reliable and abundant natural gas supply for our operation, we entered into the Master Supply Agreement for a 25-year term with PetroChina on 10 January 2015. Pursuant to the then annual supply framework agreements and the Master Supply Agreement, our Group shall submit an annual confirmation letter to PetroChina setting out details of monthly supply, maximum daily and hourly supply volume, pricing mechanism, scope of usage and geographical restrictions of natural gas procured, which assists PetroChina to allocate sufficient natural gas to us to accommodate our demand. We purchased 26.3 million m³, 25.1 million m³ and 25.2 million m³ of natural gas from PetroChina for FY2015, FY2016 and FY2017. The key terms of the Master Supply Agreement are set forth below:

Product requirements:	National natural gas standard of the PRC
Term:	25 years until 31 December 2039. The extension of the term shall be negotiable between Tonglin Gas and PetroChina upon expiration.
Price:	The unit price of natural gas is fixed but subject to adjustments to any relevant government pricing policies.
Purchase volume:	The specified purchase volume of natural gas is as follows: (i) for year 2015-2017: 37 million m ³ (ii) natural gas delivery for each of the years subsequent to 2017 shall be determined by both parties subject to adjustment at 5-year intervals. If both parties cannot reach a consensus as to the specified purchase volume, the specified purchase volume of the final year of the previous 5-year interval shall be adopted as the specified purchase volume for each year in the upcoming 5-year interval.

Under the Master Supply Agreement, if our actual purchase volume in the relevant year is less than 90% of the specified purchase volume (the “**minimum purchase volume**”), i.e. 33.3 million m³ per year for year 2015-2017, we have a take-or-pay obligation for the difference, which is the minimum purchase volume minus the actual purchase volume in such year (the “**Purchase Shortfall**”), and in such case, we have the right to require PetroChina to supply the volume of natural gas which is equivalent to the amount of Purchase Shortfall in that year, subject to, inter alia, the conditions that (i) we have made the payment for such Purchase Shortfall to PetroChina; (ii) we are able to require PetroChina to supply such shortfall volume of natural gas in any year within the five years after the year in which the relevant Purchase Shortfall occurs provided that our actual purchase volume of that year has fulfilled the relevant minimum purchase volume; and (iii) such right is exercisable by us within five years after the year in which the relevant Purchase Shortfall occurs. If our actual purchase volume is more than the specified purchase volume in a relevant year, there is no obligation for PetroChina to supply us with the additional gas demanded in excess of the specified purchase volume (“**Excess Volume**”) according to the Master Supply Agreement. In the event that PetroChina decides to supply us with the Excess Volume, the unit price shall be determined in accordance to the procurement cost of PetroChina.

Delivery:	Delivered at PetroChina’s Transmission Substation in Jingzhou, Hubei Province.
Measurement:	Quantity of purchase is recorded by measurement tools operated by PetroChina as mutually agreed.
Pre-order:	We are required to notify PetroChina in advance of the estimated upcoming yearly and monthly demand for natural gas. Both parties will use their best endeavour to reach a consensus for annual sales plan for the subsequent year no later than 1 October of each current year.

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Payment:	We are required to make 100% monthly prepayment for the estimated quantity of natural gas to be ordered for the subsequent month on the 28th day of each month.
Termination:	Upon occurrence of any termination events, including (i) breach of either party's contractual obligations; (ii) failure by either party to supply or to procure natural gas for 12 months continuously; (iii) bankruptcy of either party; (iv) parties fail to reach a consensus in relation to the natural gas price three months after the PRC government abolished the price determination regime of natural gas; and (v) forfeiture of operation-related qualification certification of either party, etc.

Our PRC Legal Advisers advised that the Master Supply Agreement is legal, valid and enforceable pursuant to their respective terms in accordance with the applicable PRC laws, rules and regulations currently in force. To the best information of our Directors, there is no pre-requisite that it is necessary for our Group to attain before PetroChina would enter into the Master Supply Agreement with us. However, our Directors believe that (i) our proven transaction record with PetroChina which proved us to be a reliable and trustworthy business partner; (ii) our possession of the relevant permits, licenses and approvals for natural gas operation; and (iii) sufficient capital to operate in the natural gas industry, enabled us to enter the Master Supply Agreement with PetroChina.

We purchased 26.3 million m³, 25.1 million m³ and 25.2 million m³ of natural gas from PetroChina for FY2015 and FY2016 and FY2017, respectively. Accordingly, our actual purchase volume were below the minimum purchase volume for FY2015 and FY2016 under the Master Supply Agreement. Based on our Directors' understanding and as advised by F&S, it is the general practice of upstream suppliers not to enforce such obligation against local gas supply business sourcing natural gas from it, as the specified purchase volume is merely used by upstream suppliers, such as PetroChina, for internal forecast and planning purpose. According to the F&S Report, the take-or-pay obligation is common in the natural gas industry between upstream natural gas suppliers and local gas supplying companies in China. Our Directors have confirmed that such take-or-pay obligation had not been enforced by PetroChina up to the Latest Practicable Date. According to the confirmation dated 7 September 2017 (the "**September Confirmation**") issued by Huazhong Distribution Branch Company (華中天然氣銷售分公司) ("**PetroChina Huazhong Branch**"), a wholly-owned branch of PetroChina, it is confirmed that:

- (a) the obligations for the Purchase Shortfall under the Master Supply Agreement during the Track Record Period and up to the date of the Confirmation have been expressly waived and PetroChina would not claim against us for any such obligations under the Master Supply Agreement; and

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- (b) PetroChina would negotiate with us prior to demanding any sums payable in relation to the Purchase Shortfall incurred subsequent to the date of the Confirmation and we could adjust the minimum purchase volume in order to avoid the take-or-pay obligation incurred.

Based on a confirmation dated 20 October 2017 (the “**October Confirmation**”), the minimum purchase volume for each of FY2017 and FY2018 is adjusted to 20.7 million m³ and it is further confirmed that it has not and will not demand any sums payable in relation to the Purchase Shortfall incurred (if any) up to 31 December 2017.

The above confirmations were issued by Mr. Huang Bihai (黃碧海), responsible officer of PetroChina Huazhong Branch, a competent person properly authorised by the PetroChina Huazhong Branch. According to PRC Company Law, a branch shall not enjoy the status of an enterprise legal person and its civil liabilities shall be borne by its parent company. Given that PetroChina Huazhong Branch, a branch office of PetroChina is the responsible counterparty relating to our Group’s daily operation including (i) negotiation of purchase price, price volume and delivery schedule of natural gas under the Master Supply Agreement; (ii) settlement arrangement of natural gas; and (iii) any issue relating to the supply of natural gas, our Directors, as advised by our PRC Legal Advisers, are of the view that PetroChina Huazhong Branch is a competent authority and has been duly authorised by PetroChina to issue the confirmations. According to our PRC Legal Advisers, the above confirmations given by PetroChina Huazhong Branch is effective and binding and the possibility that the confirmations would be challenged by PetroChina is remote.

Further, the Controlling Shareholders will undertake to provide indemnities in connection with all claims, payments, damages, settlements, liabilities, costs, fees and expenses suffered or incurred by our Group as a result of or in connection with any non-compliance with the terms of the Master Supply Agreement or in connection with any other non-compliance with the terms of the Master Supply Agreement by our Group which has occurred at any time before the Listing. Please see “Statutory and General Information – I. Other Information – 4. Tax and other indemnities – (e) Deed of Indemnity” in Appendix V to this prospectus for further information.

Based on (i) the September Confirmation and the October Confirmation confirming that our obligations for the Purchase Shortfall under the Master Supply Agreement during the Track Record Period and for the year ended FY2017 have been expressly waived; (ii) the minimum purchase volume for each of the year ended 31 December 2017 and year ending 31 December 2018 is adjusted to 20.7 million m³ based on the October Confirmation; (iii) the fact that PetroChina Huazhong Branch is a competent authority and has been duly authorised by PetroChina to issue the confirmations as advised by our PRC Legal Advisers; (iv) indemnities to be provided by our Controlling Shareholders; and (v) our experience that the take-or-pay obligation had not been enforced since 2014 and up to the Latest Practicable Date, our Directors are of the view that the aforesaid Purchase Shortfall is not expected to have a material adverse impact on our business, financial condition, operating results, and our relationship with PetroChina. Our Group had fulfilled its obligations under the Master Supply Agreement for FY2017 based on the adjusted minimum purchase volume. Despite the foregoing, for illustration purpose, the Purchase Shortfall for FY2015 and FY2016 was approximately 7.0

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million m³ and 8.2 million m³, respectively, and if PetroChina had enforced the take-or-pay obligation against us, we would have had to pay PetroChina additional amounts of RMB17.9 million and RMB16.2 million for FY2015 and FY2016, respectively. Please see “Risk Factors – Risks Relating to Our Business and Industry – We are exposed to risks relating to our relationship with PetroChina – Our take-or-pay obligation under the Master Supply Agreement with PetroChina may not be enforced” for details of the risk associated with our failure to fulfill take-or-pay obligation in the future.

A team of two, which consists of the head of our financial department and the head of our sales and marketing department, will assess the Purchase Shortfall from time to time, prepare a rolling forecast based on our assessment, closely monitor the monthly sale volume of CNG sold to our customers and duly inform the management if there is a monthly Purchase Shortfall. Our sales and marketing department will continue to implement strategies to increase our CNG sale, which include arranging sale visits to existing wholesale customers and potential new customers and further development of our customer loyalty programme.

If at any time during the year, we observe that the demand of our customers is changing or any circumstance has occurred such that we may experience a significant Purchase Shortfall at the end of the year, we will take appropriate measures, such as increasing our effort in seeking to expand our sale to new customers, with a view to increase our CNG sale and exploring additional sale opportunities, thereby allowing us to manage and minimise the extent of any Purchase Shortfall that will occur at the end of the year.

Our Directors consider that we will continue to procure natural gas from PetroChina as PetroChina can provide long term stable supply with quality assurance. We have established business relationship with PetroChina since 2011 and have not encountered any major procurement problems with PetroChina. Our Directors consider that PetroChina is a reputable and reliable supplier and we have entered into a 25-year term Market Supply Agreement with PetroChina. Our Director confirm that it is the industry norm for local gas companies like us to rely heavily on a few suppliers due to their dominance in the natural gas industry in the PRC. According to the F&S Report, since natural gas is a strategic resource in China that are controlled by three large state-owned enterprises, it is common industry practice to source natural gas directly from either one of them. On the other hand, we believe PetroChina relies on our local knowledge and strength in selling CNG in Jingzhou, Hubei Province. As such, our Directors consider that our business will continue to be viable notwithstanding our reliance on PetroChina. Please see “Risk Factors – Risks relating to our Business and Industry – We are exposed to risks relating to our relationship with PetroChina”.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered one trademark in the PRC. Details of our intellectual property rights, which are material to our business and operations, are set out in “Statutory and general information – F. Further Information about our Business – 2. Our intellectual property rights” in Appendix V to this prospectus.

As at the Latest Practicable Date, we had not been subject to any material intellectual property claims against us or experienced any dispute in relation to the infringement on our intellectual property rights. Our Directors believe that we have taken reasonable measures to prevent infringement of our intellectual property rights.

COMPETITION

We face limited direct competition when conducting sale of natural gas in Jingzhou, Hubei Province. Our established relationship with PetroChina provides a stable and reliable source of natural gas and allows us to compete effectively in this sector. New industry players may not be able to secure a stable and abundant gas supply from upstream suppliers and to obtain the relevant certifications or qualifications from the government. Other factors that could affect our competitiveness include, among others, technical capability, financial resources, experience and track record and access to natural gas resources.

According to the F&S Report, the gas refuelling station operation in Jingzhou, Hubei Province, is generally dominated by local natural gas companies. In 2016, the top three market players operated nine gas refuelling stations in Jingzhou, Hubei Province and accounted for approximately 50.0% of the stations in Jingzhou, Hubei Province. The top three players accounted for approximately 85.1% of the market share in terms of natural gas sales volume in 2016 and the market is relatively concentrated across various segments, including small vehicle use, bus use and industrial and commercial use. According to the F&S Report, our gas refuelling stations are evenly and properly distributed across central city area of Jingzhou, Hubei Province and the gas refuelling stations are located respective in the North, East and West, whereas the gas refuelling stations of our competitors are more geographically concentrated.

We also face competition from other vehicles using alternative energy, such as electricity. According to the F&S Report, although electric vehicles provides an alternative to natural gas vehicles for clean energy solution of transportation, the electric vehicle will only pose threat for the natural gas refuelling market in the longer term. According to the F&S Report, natural gas vehicles are expected to increase from 2016 to 2020 with a CAGR of 12.9% to 9.6 million units in China while non-natural gas vehicles are expected to increase during the respective period with a CAGR of 8.0% to 244.1 million units and natural gas vehicles will not directly compete with electric vehicles in the near term because (i) electric vehicles only accounted and are expected to account for 0.6% and 2.0% of all automobiles in China in 2016 and 2020, respectively; and (ii) both natural gas vehicles and electric vehicles are clean alternatives for traditional gasoline vehicles.

As advised by F&S, our Directors are of the view that the impact of electric vehicles on our natural gas operation is minimal as: (i) there will be sufficient demand for CNG vehicles going forward because the development of electric vehicles in Jingzhou, Hubei Province, is currently still restrained by high maintenance cost due to replacement of batteries, lagging deployment of electric charging infrastructure, limited driving mileage restricted by power battery technology, high purchase cost of electric vehicles and after-sales maintenance and

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consumer's concern over safety and performance of electric vehicles; (ii) the decrease in subsidies for electric vehicles from the PRC government by 20% in 2017 and 2018 and by 40% in 2019 and 2020 from that in 2016, according to Notice on Financial Support for Promotion of New Energy Vehicle from 2016 to 2020 (2016-2020年新能源汽車推廣應用財政支持政策的通知); (iii) due to high upfront of investment of electric buses, the purchase decisions are driven by PRC government subsidies, which are subject to uncertainties as a result of investigations on subsidy fraud in 2016; (iv) at the end of 2016, the share of electric buses among all buses was around 5% and the share of electric vehicles among all automobiles was less than 0.1% in Jingzhou, Hubei Province, accordingly, the electric vehicles will only pose threat for NGVs in a longer term; and (v) approximately half of our revenue was generated from wholesale customers during the Track Record Period, and natural gas is irreplaceable for some of our industrial wholesale customers which use gas furnace for their manufacturing process. Please see "Industry Overview – Analysis of Natural Gas Vehicle Market in Jingzhou" for further details.

To the best of our Directors' knowledge and information, our Group is not aware of any upgrading of fleet with new battery cell powered buses by Jingzhou Public Transport and our Directors believe that Jingzhou Public Transport will continue to use CNG buses based on the annual supply agreements our Group entered into with them.

INSURANCE

Our assets are covered by the property all risks insurance and third party coverage insurance for our tanker trucks. We review our insurance policies from time to time and the insurance policies are renewed annually. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies.

We believe that the insurance coverage of our natural gas facilities is adequate and standard for the natural gas industry in the PRC. Please see "Risk Factors – Risks relating to our Business and Industry – We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject to." in this prospectus.

PERMITS, LICENCES AND APPROVALS

We are required to obtain relevant permits, licences, and approvals from the competent government authorities. As advised by our PRC Legal Advisers, during the Track Record and up to the Latest Practicable Date and save as disclosed herein, we had complied with all relevant laws and regulations in all material respects and had obtained and maintained the validity of all necessary material permits, licences, and approvals from the relevant PRC authorities for our operation during their respective terms. The following table sets forth details of our material permits and licenses:

License/permit/ certificate	Holder	Issuing authority	Valid period/ Issuing date
Gas Operating License (natural gas (automobile), sales and import) (燃氣經營許可證 (壓縮天然氣汽車 加氣,天然氣銷售 和天然氣進口))	Tonglin Gas	Jingzhou Housing and Urban-Rural Construction Committee (荊州市住房和城 鄉建設委員會)	1 January 2018 to 31 December 2020
Gas Operating License (natural gas (automobile)) (燃氣經營許可證 (壓縮天然氣汽車 加氣))	Tonglin Gas (Shahong Substation)	Jingzhou Housing and Urban-Rural Construction Committee (荊州 市住房和城鄉建 設委員會)	17 March 2016 to 16 March 2019
Gas Operating License (natural gas (automobile)) (燃氣經營許可證 (壓縮天然氣汽車 加氣))	Tonglin Gas (Shihao Substation)	Jingzhou Housing and Urban-Rural Construction Committee (荊州 市住房和城鄉建 設委員會)	10 July 2015 to 10 July 2018
Gas Operating License (natural gas (automobile)) (燃氣經營許可證 (壓縮天然氣汽車 加氣))	Tonglin Gas (Nanhuan Substation)	Jingzhou Housing and Urban-Rural Construction Committee (荊州 市住房和城鄉建 設委員會)	10 July 2015 to 9 July 2018

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License/permit/ certificate	Holder	Issuing authority	Valid period/ Issuing date
Cylinder Filling Permit (氣瓶充裝許可證)	Tonglin Gas	Jingzhou Quality and Technology Supervision Bureau (荊州市質量技術監督局)	23 September 2015 to 22 September 2019
Cylinder Filling Permit (氣瓶充裝許可證)	Tonglin Gas (Shahong Substation)	Jingzhou Quality and Technology Supervision Bureau (荊州市質量技術監督局)	2 April 2015 to 1 April 2019
Cylinder Filling Permit (氣瓶充裝許可證)	Tonglin Gas (Shihao Substation)	Jingzhou Quality and Technology Supervision Bureau (荊州市質量技術監督局)	26 April 2016 to 25 April 2020
Cylinder Filling Permit (氣瓶充裝許可證)	Tonglin Gas (Nanhuan Substation)	Jingzhou Quality and Technology Supervision Bureau (荊州市質量技術監督局)	26 April 2016 to 25 April 2020
Portable Pressure Vessel Filling Permit (移動式壓力容器充裝許可證)	Tonglin Gas	Jingzhou Quality and Technology Supervision Bureau (荊州市質量技術監督局)	17 January 2017 to 16 January 2021

Certain of our material permits and licenses have a limited period of validity. We monitor the validity status of our permits and licenses, and make timely applications for the renewal of relevant permits and license prior to the expiration dates. We did not experience any material difficulty in obtaining or renewing the required permits and licenses or our business operations during the Track Record Period or up to the Latest Practicable Date. We do not expect any material impediment in renewing our material permits and licenses as they expire in future.

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EMPLOYEES

As at the Latest Practicable Date, we had a total of 85 employees. A breakdown of our employees by role as at the Latest Practicable Date is set forth in the table below.

Function	Number of employees
Management	4
Administrative and support	3
Finance	3
Sales and marketing	4
Operation	51
Human Resources	3
Production	12
Safety and maintenance	5
Total	85

As at the Latest Practicable Date, majority of our employees were based in Jingzhou, Hubei Province.

We believe that our employees are important assets to the Group. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We have employees through job market recruiting and internal referrals taking into account of the candidates' initiative, attention to detail and work ethic. We provide management personnel and employees with on-the-job training, rotation training and trainings in other formats to improve their skills and knowledge. We believe we have good relationships with our employees and we did not experience any material labour disputes or difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

In accordance with our human resources policy, new employees at our gas refuelling stations are required to undergo orientation to familiarise themselves with our safety policies and overall daily operations before they commence working for us. After they attend orientation, some of our employees are provided with duties-specific training for their respective post before they are qualified to work or to operate any facility at our gas refuelling stations. We will review our employee performance from time to time. In addition, for some posts which require particular skills or for enhancement of a certain skill or ability, our employees are further provided with professional and specialised training.

Under relevant PRC laws and regulations, we are required to contribute to social insurance funds (including pension insurance, unemployment insurance, medical insurance, work-related injuries insurance and maternity insurance) and housing provident funds for our employees. In addition, we provide various employee benefits to our workers, including but not limited to living quarters. During the Track Record Period, we have not been penalized or fined for violating the social insurance or housing provident fund laws and regulations.

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PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 8.01(2) of the GEM Listing Rules. They mainly include the premises of our gas refuelling stations, offices and staff common room.

Owned properties

As at the Latest Practicable Date, we had land use right certificates for one parcel of land with an aggregate land area of approximately 13,384.3 sq.m. and building ownership certificates for four buildings of aggregate floor area of approximately 970.8 sq.m. in the PRC.

The table below sets forth details of the land use rights owned by us in PRC as at the Latest Practicable Date:

Location	Description/Usage	Registered area (sq.m.)	Expiration of land use right
Jingzhou Economic Development Zone Dongfang Road	Industrial	13,384.3	20 November 2058

The table below sets forth a summary of the buildings owned by us:

Location	Description/Usage	Approximate gross floor area (sq.m.)
Jingzhou Economic Development Zone	Filling station	445.2
	Concierge	63.6
Dongfang Road	Compressor room	275.2
	Power distribution room	187.0

As at the Latest Practicable Date, we have not obtained the necessary approvals, permits and certificates for a total aggregate floor area of 597.4 sq.m., mainly as common room, office and warehouse for our staff built on the parcels of land we owned. As advised by our PRC Legal Advisers, prior to obtaining the relevant building ownership certificates, our Group does not possess the legal title of such buildings. Under the confirmations issued by Jingzhou Municipal Commission of Housing and Urban-rural Development (“**Commission**”) (荆州市住房和城乡建设委员会) and Jingzhou Municipal Bureau of Urban and Rural Planning (荆州市城乡规划局) (“**Bureau**”), it was confirmed that: (i) our Group shall not be liable, and would not be fined or penalised with regard to the title defects; (ii) the Commission and the Bureau would not seize or demolish our properties; and (iii) there are no legal impediments to our Group in obtaining the building ownership certificate. As of the Latest Practicable Date, we have not been penalised for not obtaining the relevant certificates and have not received request from

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the relevant authority to demolish the buildings. Since no commercial value has been attributed to such buildings which we have not obtained necessary approvals, permits and certificates in the valuation of properties, our Directors believe that our operation will not be adversely affected by such title defects. Please see “Risk Factors – Risks Relating to our Business and Industry – We have not obtained the necessary approvals, permits and certificates for some of the buildings and leased land we occupy or use.” in this prospectus.

Save as disclosed above, we have obtained all the required land use rights and building ownership certificates for our properties.

Leased properties

As at the Latest Practicable Date, we leased certain land use rights with an aggregate land area of 7,500 sq.m. and one office with an aggregate floor area of approximately 200 sq.m. in the PRC. The below table sets out the summary of the properties leased by our Group as at the Latest Practicable Date:

Location	Lessor	Description/ Usage	Approximate area (sq.m.)	Term of lease	Lease expiry date
Shihao Road east of bus parking lot (Shihao Substation)	Jingzhou Public Transport	Gas refuelling station	2,500	10 years	1 January 2026
Nanhuan Road east of bus parking lot (Nanhuan Substation)	Jingzhou Public Transport	Gas refuelling station	2,500	10 years	1 January 2026
Shahong Road north of bus parking lot (Shahong Substation)	Jingzhou Public Transport	Gas refuelling station	2,500	10 years	1 January 2026
5th Floor, Jingpeng Software Park, No. 155 Jiangjin East Road, Jingzhou, Hubei Province	Hubei Jingpeng Software Group Limited Company (湖北荆鵬軟件集團有限公司)	Office	200	3 years	31 January 2020

During the Track Record Period, one of our largest customers, Jingzhou Public Transport, leased three parcels of lands at Nanhuan Road of approximately 2,500 sq.m., Shihao Road of approximately 2,500 sq.m. and Shahong Road of approximately 2,500 sq.m. in Jingzhou, Hubei Province for the operation of Nanhuan Substation, Shihao Substation and Shahong Substation, respectively and also purchased CNG at our gas refuelling stations. For FY2015, FY2016 and

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FY2017, our sales to Jingzhou Public Transport accounted for approximately 26.4%, 29.9% and 26.4%, of our total revenue, respectively. The sales to Jingzhou Public Transport were conducted on normal commercial basis. During the respective periods, the rental paid to Jingzhou Public Transport for the leased parcels of land accounted for approximately 1.8%, 2.9% and 2.8%, of our total cost of sales, respectively. In view of the decrease in maximum selling price imposed by Jingzhou Price Bureau and the increase in purchase price of natural gas from PetroChina in November 2016, the Group negotiated for rent reduction with Jingzhou Public Transport and entered into a supplementary agreement in January 2017 based on normal commercial negotiations. Pursuant to the supplementary agreement, the annual rent for the three parcels of lands for the first two years of the lease term, i.e. FY2016 and FY2017 has been reduced to RMB1.65 million (VAT inclusive) i.e. RMB1.57 million (VAT exclusive) upon introduction of rental VAT by PRC tax authorities in 2016. Please see “Risk Factors – Risks Relating to our Business and Industry – We rely on third-party logistic service companies to operate our tanker trucks and to distribute our natural gas from our Jingzhou Primary Station to our gas refuelling substations and to our customers, and their failure to provide logistics services to us and our customers may negatively impact our customers’ satisfaction and our reputation, and materially and adversely affect our business and results of operations” in this prospectus.

As at the Latest Practicable Date, our lessor, Jingzhou Public Transport, had not obtained the building ownership certificate for certain properties on our leased land. Please see “Legal Compliance” in this section for more details.

The two plots of land of a total of 5,000 sq.m. located east of Shihao Road and Nanhuan Road were obtained by Jingzhou Public Transport through allocation (劃撥). However, Jingzhou Public Transport (as the lessor) has not complied with the approval procedure for leasing of the state-owned allocated land. Our Directors confirm that our Group have liaised with Jingzhou Public Transport and procured them to rectify the non-compliances as soon as our Group became aware of the non-compliance. As confirmed by Chengnan sub-unit of Jingzhou branch of Jingzhou Bureau of Land and Resources (荊州市國土資源局荊州分局城南國土資源所) and Lixin sub-unit of Shashi branch of Jingzhou Bureau of Land and Resources (荊州市國土資源局沙市分局立新國土資源所), (i) the leases and the use of the respective leased land are legally valid, binding and enforceable; (ii) our Group is in compliance with PRC laws, regulations and administrative regulations regarding land management; and (iii) our Group have not been fined or penalised by the relevant land authorities. As further confirmed by Jingzhou Public Transport, (i) they are in the process of preparing an application to the relevant authority for their approval regarding our current land use; (ii) they have undertaken that our Group would enjoy full and exclusive lessee’s rights during our leasing term; and (iii) they shall make full compensation to our Group if we are evicted or no longer able to occupy the site due to the non-compliance (including but not limited to the penalty or fines imposed by the relevant governmental authority on our Group). As advised by our PRC Legal Advisers, Jingzhou Public Transport is the proper applicant for the approval procedure for leasing of the state-owned allocated land, and Jingzhou Public Transport has confirmed that, they will bear all costs and losses incurred by our Group in relation to the non-compliance and will make full compensation to our Group if we are fined or penalised by the relevant governmental authority

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due to the non-compliance. During the Track Record Period and up to the Latest Practicable Date, our Group has never been challenged by any party as to the legality of its operations on the relevant leased land, or penalised for our operation or in relation to the non-compliance.

Please see the Property Valuation Report set forth in Appendix III to this prospectus for further details of our properties.

LEGAL PROCEEDINGS

During the Track Record Period, we were not involved in legal or other disputes or subject to any material claims, damages, losses or product return. As at the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial conditions or results of operations. To the best of our knowledge after making reasonable enquiry, no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

LEGAL COMPLIANCE

Save for certain incidents of non-compliance set out below, our Directors are not aware of any incident of material non-compliance of our Group during the Track Record Period and as at the Latest Practicable Date:

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
<i>Failure to obtain building ownership certificates:</i>			
We had not obtained the building ownership certificate for certain properties on our self-owned land.	It was due to incomplete reporting and application procedures.	As advised by our PRC Legal Advisers, our Group might be fined or penalised and ordered to make rectification within a time limit or to demolish the properties within a time limit; if the properties cannot be demolished, the properties or the unlawful income derived from the properties shall be confiscated.	<p>Under the confirmations issued by Jingzhou Municipal Commission of Housing and Urban-rural Development (“Commission”) (荆州市住房和城乡建设委员会) and Jingzhou Municipal Bureau of Urban and Rural Planning (荆州市城鄉規劃局) (“Bureau”), it was confirmed that:</p> <ul style="list-style-type: none"> (i) our Group shall not be liable, and would not be fined or penalised with regard to the title defects; (ii) the Commission and the Bureau would not seize or demolish our properties; and (iii) there are no legal impediments to our Group in obtaining the building ownership certificate. <p>Our Directors confirm that the properties are immaterial to our operation and in the event that the properties are requested to be demolished by the relevant authorities, we believe that we will be able to relocate with minimal impact on our operation.</p> <p>Our Controlling Shareholders have agreed to indemnify our Group against all fines and penalties incurred by our Group as a result of or in connection with the failure to obtain building ownership certificates.</p>

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
<p>Our lessor, Jingzhou Public Transport, had not obtained the building ownership certificate for certain properties on our leased land. These properties serve as offices, restrooms and staff common room at our gas refuelling stations.</p>	<p>It was due to incomplete reporting and application procedure by Jingzhou Public Transport.</p>	<p>As advised by our PRC Legal Advisers, our Group might be fined or penalised and ordered to make rectification within a time limit or to demolish the properties within a time limit; if the properties cannot be demolished, the properties or the unlawful income derived from the properties shall be confiscated.</p>	<p>Our Directors confirm that our Group have liaised with Jingzhou Public Transport and procured them to rectify the non-compliance as soon as our Group was aware of the title defects.</p> <p>Under the confirmation issued by the Commission and the Bureau, it was confirmed that:</p> <ul style="list-style-type: none"> (i) since Jingzhou Public Transport is the lessor of the relevant lands, our Group shall not be liable and shall not be fined or penalised with regard to the title defects (ii) the Commission and the Bureau would not seize or demolish our properties; and (iii) there are no legal impediments to Jingzhou Public Transport in obtaining the building ownership certificate.
			<p>Our Controlling Shareholders have agreed to indemnify our Group against all fines and penalties incurred by our Group as a result of or in connection with the failure to obtain building ownership certificates.</p>

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
<p><i>Failure to comply with the approval procedure for leasing of state-owned allocated land:</i></p> <p>The use of our leased land from Jingzhou Public Transport has not been approved by the competent authorities. These leased land serve as operation premises for our gas refuelling stations.</p>	<p>It was due to incomplete reporting and application procedure by Jingzhou Public Transport.</p>	<p>As advised by our PRC Legal Advisers, if state-owned allocated land user fails to go through the approval procedure for leasing of the allocated land, the leasing shall be invalid and unprotected by law.</p>	<p>Our Directors confirm that our Group have liaised with Jingzhou Public Transport and procured them to rectify the non-compliance as soon as our Group was aware of the non-compliance.</p> <p>As confirmed by Chengnan sub-unit of Jingzhou branch of Jingzhou Bureau of Land and Resources (荆州市國土資源局荊州分局城南國土資源所) and Lixin sub-unit of Shashi branch of Jingzhou Bureau of Land and Resources (荆州市國土資源局沙市分局立新國土資源所):</p> <ul style="list-style-type: none"> (i) the leases and the use of the respective leased land are legally valid, binding and enforceable; (ii) our Group is in compliance with PRC laws, regulations and administrative regulations regarding land management; and (iii) our Group have not been fined or penalised by the relevant land authorities.
			<p>As further confirmed by Jingzhou Public Transport:</p> <ul style="list-style-type: none"> (i) they are in the process of preparing an application to the relevant authority for their approval regarding our current land use; (ii) they have undertaken that our Group would enjoy full and exclusive lessee's rights during our leasing term; and (iii) they shall make full compensation to our Group if we are evicted or no longer able to occupy the site due to the non-compliance (including but not limited to the penalty or fines imposed by the relevant governmental authority on our Group).

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of quality and risk management system. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the followings:

- *Code of conduct:* Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behaviour.
- *Anti-corruption:* Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of China and other countries where we conduct our business operations. Compliance with our anti-corruption policies is a condition of employment.
- *Compliance with the GEM Listing Rules:* Our various policies aim to ensure compliance with the GEM Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors. We have appointed Giraffe Capital Limited as our compliance adviser upon Listing and will engage external legal advisers to advise us on compliance with the GEM Listing Rules.
- *Filing of VAT:* We have implemented internal enhancement measures to prevent re-occurrence of late filing by: (i) allocating more human resources to the finance department to ensure adequate following up on the issuance of VAT invoices; (ii) conducting quarterly review on tax issues by the financial controller in order to ensure timely issuance of VAT invoices; and (iii) engaging our PRC Legal Advisers to provide trainings to our finance department on the latest development of various tax filing requirements.

The ultimate goal of our risk management process is to identify and focus on the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. The key process points in our risk management include:

- *Identify:* We identify current and emerging risks in our business operations and categorise those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks.

- *Assess:* We assess and prioritise risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritise risks in terms of likelihood and impact severity.
- *Mitigate:* Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.
- *Measure:* We measure our risk management by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to our Directors.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), (i) by virtue of the Acting in Concert Confirmation (as defined below), Mr. Liu Yong Qiang and Mr. Liu Yong Cheng will be together interested in 75.0% of the issued share capital of our Company, (ii) Mr. Liu Yong Qiang, through Hongsheng, will hold approximately 53.25% of the issued share capital of our Company on a standalone basis; and (iii) Mr. Liu Yong Cheng, through Yongsheng will hold approximately 21.75% of the issued share capital of our Company on a standalone basis. Each of Hongsheng and Yongsheng is an investment holding company incorporated on 4 October 2016 in BVI. Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Hongsheng and Yongsheng are parties acting in concert and are a group of Controlling Shareholders or a closely allied group of shareholders (for the purpose of Rule 19.45 of the GEM Listing Rules) of our Company. For the purpose of the GEM Listing Rules, Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Hongsheng and Yongsheng are regarded as our Controlling Shareholders as at the Latest Practicable Date. Please see “Directors and Senior Management” in this prospectus for details of Mr. Liu Yong Qiang and Mr. Liu Yong Cheng. Please see “History, Development and Reorganisation – Reorganisation” in this prospectus for details of Hongsheng and Yongsheng.

Acting in Concert Confirmation

Over the course of our business history, each of our Controlling Shareholders has, in exercising and implementing the management and operation of each of our subsidiaries, been acting in concert with each other. As we were a group of individuals and private entities in the past, these arrangements were not formalised in writing and each of our Controlling Shareholders had no disagreement with these arrangements based on their personal relationships, as well as the trust and confidence they have in each other. Our Controlling Shareholders confirmed that (i) the acting in concert arrangements with respect to each subsidiary became effective upon any Controlling Shareholder(s) becoming the registered shareholder of each subsidiary; and (ii) the business stake of each Controlling Shareholder in each subsidiary was in proportion to their respective shareholding.

On 14 June 2017, in preparation for the Listing, our Controlling Shareholders executed the acting in concert confirmation (the “**Acting in Concert Confirmation**”), whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the Listing to consolidate their control over our Group until the Acting in Concert Confirmation is terminated by our Controlling Shareholders in writing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

According to the Acting in Concert Confirmation, with respect to the businesses operated by the subsidiaries, our Controlling Shareholders confirm to each other that, for the entire duration when all of them were/are contemporaneously either the legal owners of shares in each of the subsidiaries and, after the incorporation of our Company, our Company:

- (a) our Controlling Shareholders have agreed to, and shall continue to, consult each other and reach a consensus among themselves on matters which are the subject of any shareholders' resolution prior to putting forward any such resolution to be passed at any shareholders' meeting of our Company and the subsidiaries (as the case may be) and have historically voted on such resolutions in a unanimous manner;
- (b) our Controlling Shareholders have agreed that they did not and will not do any act or exercise any of their voting power which may be available to them from time to time over any of the shares in our Company and the subsidiaries (as the case may be) in contravention of their respective obligations;
- (c) our Controlling Shareholders confirm to each other that, they will not transfer, sell or dispose of their respective shareholding in each member of our Group in accordance with the lock-up period pursuant to the GEM Listing Rules;
- (d) our Controlling Shareholders have agreed with each other that they did use and will continue to use their respective best endeavours to ensure that all major matters concerning our Company and the subsidiaries (as the case may be) shall be communicated to each of them so as to ensure that a consensus may be reached in a timely manner;
- (e) our Controlling Shareholders have enjoyed, and shall continue to enjoy, the economic benefits generated from all subsidiaries from the businesses and projects of our Group, which include but shall not be limited to, dividends declared or to be declared (if any) from the businesses and projects of our Group;
- (f) where there was or is any suitable business opportunity or project for our Group, our Controlling Shareholders have engaged in, and shall continue to engage in, discussions as to whether they should participate and, if so, in whose name they should participate and the extent of participation in terms of investment and management; and
- (g) our Controlling Shareholders have centralised, and shall continue to centralise, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of our Group.

Hence, pursuant to the Acting in Concert Confirmation, Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Hongsheng and Yongsheng will together be entitled to exercise and control 75.0% of our entire issued share capital immediately upon the completion of the Capitalisation Issue and the Share Offer (without taking into account the options which have been or may be granted under the Share Option Scheme).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

COMPETING INTEREST

Save and except for their respective interests in our Company and its subsidiaries, none of our Controlling Shareholders, our Directors nor any of their respective associates had any interest in any other companies which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules at as the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, our Board is satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders upon or shortly after the Listing. Our Directors are of the view that there will be no significant transactions between our Group and our Controlling Shareholders following the completion of the Capitalisation Issue and the Share Offer.

Operational Independence

Our Company is capable of making independent decisions on business operations. Although our Controlling Shareholders retain a controlling interest in our Company after the Listing, it does not prevent us from exercising full rights to carry out our own decisions on the business operations.

In addition, our organisational structure is well defined to align the day-to-day operation of the business with the organisational aims. Each department in our organisational structure is empowered to determine the modes in which it operates and performs independently, subject to the final confirmation and approval of our chief executive officer. We have also established efficient and transparent internal control system to facilitate the effective operation of our business.

Accordingly, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Management Independence

Our management and operational decision are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Liu Yong Qiang, one of our Controlling Shareholders, is also our executive Director and deputy general manager, and a director of each of the subsidiaries of our Company. Mr. Liu Yong Cheng, a party acting in concert with Mr. Liu Yong Qiang and one of our Controlling Shareholders, is also an executive Director and a director of each of the subsidiaries of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our managerial decision makers are empowered to provide input into and have final approval of development of corporate strategy and performance objectives. Their managerial roles include, among others, independently reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. Our Directors and senior management are familiar with the fundamentals of our Company's business, its operations and informed about our Company's activities.

Our Group has established an (i) Audit and Risk Management Committee, (ii) Remuneration Committee, and (iii) Nomination Committee. Each committee includes independent non-executive Directors so as to monitor the operations of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgment and will be able to provide impartial opinion and professional advice in the decision-making process of the Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) and their respective associate(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of the our Group. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board. Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to make independent managerial decisions having regard to their own knowledge of the corporation and their experience and skills.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Company is empowered to make independent decision in respect of business financial matters. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from a financial perspective. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, none of the Controlling Shareholders or their respective associates had provided any guarantee to our Group.

Although there were amounts due to our Directors from our Company during the Track Record Period, such amount will be fully settled before the Listing. Further details on such money due to our Directors are in the section headed “Financial Information – Liquidity and Capital Resources – Net Current Assets/Liabilities”. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

LOCK-UP UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 13.16A(1) of the GEM Listing Rules

Each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, it or he shall not, at any time during the (i) first six-month period commencing on the Listing Date (the “**First Six-month Period**”), which is required under the then GEM Listing Rules, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown in this prospectus to be the beneficial owner (as defined in Rule 13.16A(2) of the GEM Listing Rules) (the “**Relevant Securities**”); and (ii) the six-month period commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), which is required under the GEM Listing Rules, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder or a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company.

Voluntary Undertaking

Notwithstanding the above requirements under the Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders is further subject to the voluntary lock-up undertaking given to our Company as described in “Undertaking – Undertaking pursuant to the Public Offer Underwriting Agreement – By our Controlling Shareholder.”

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

COMPETITION

None of our Directors, Controlling Shareholders or any of their respective close associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

In order to maintain a clear delineation of the businesses between our Group and our Controlling Shareholders, our Controlling Shareholders (together the “**Covenantors**”) have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time).

Under the Deed of Non-competition:

- (a) each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to our Company (for itself and as trustee for each of its subsidiaries from time to time) that he/it shall not, and shall procure that none of their respective close associates (other than members of our Group) shall, during the period (the “**Restricted Period**”) in which (i) our Shares remain listed on the Stock Exchange; and (ii) the Covenantors and their respective close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in or provide any financial assistance, technical support or business know-how to any other person to carry on (in each case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete, whether directly or indirectly, with any activity or business of any members of our Group and any other new business which our Group may undertake from time to time after the Listing within Hong Kong and such other places as our Group may conduct or carry on business from time to time (the “**Restricted Business**”);

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) each of the Covenantors further undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to the Covenantors and/or any of their respective close associates (other than members of our Group) (the “**Offeror**”) is first referred to our Group (the “**Right of First Refusal**”) in the following manner:
- (i) the Covenantors are required to, and shall procure their respective close associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Company of any New Opportunity containing all information considered by our Directors necessary for our Directors and our Company to consider whether (1) the New Opportunity forms part of the Restricted Business, and/or (2) it is in the interest of our Group and the shareholders of our Company as a whole to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”) as soon as practicable after such opportunity arises;
 - (ii) the Offeror will be entitled to pursue the New Opportunity only if (1) our independent non-executive Directors have served a written notice on the Offeror and the Covenantors declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group (the “**Decline Notice**”), or (2) our independent non-executive Directors have not served a notice within fifteen business days from our Company’s receipt of the Offer Notice; and
 - (iii) if there is a material change in the terms and conditions of the New Opportunity (or any subsequent revised New Opportunity) offered by the Offeror, the Covenantors are required to, and shall procure their respective associate to, refer or procure the referral of such revised New Opportunity in the manner provided for in paragraph (b)(i) above, and our independent non-executive Directors shall have a further fifteen business days period to provide a response to the Offeror and the Covenantors;
- (c) where the Covenantors and/or their respective close associates (other than members of our Group) have acquired any business, investment or interest in any entity relating to the Restricted Business pursuant to paragraph (b)(ii) above, the relevant Covenantors and/or their respective close associates (other than members of our Group) shall provide to our Company with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such Restricted Business on terms that are no less favourable than that offered to the Covenantors and/or their respective close associates. Where our independent non-executive Directors decide to waive the Pre-emptive Right by way of written notice, the relevant Covenantors and/or their respective close associates (other than members of our Group) may offer to sell such business, investment or interest in the Restricted Business to other third parties on such terms which are no more favorable than those made available to our Company; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) each of the Covenantors further undertakes and agrees:
- (i) not at any time to induce or attempt to induce directly or indirectly, any director, manager, consultant or employee of our Group to terminate his or her service contract, contract of employment with our Group, whether or not such act of that person would constitute a breach of that person's service contract, contract of employment;
 - (ii) not at any time to solicit or persuade directly or indirectly, any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business cease to deal with our Group or reduce the amount of business which the person would normally do with our Group;
 - (iii) to provide all relevant information requested by our Company which is necessary for the annual review by our independent non-executive Directors for the compliance with and the enforcement of the Deed of Non-competition;
 - (iv) prior to the proposed Listing, to use its reasonable endeavours to provide assistance to our Company when required, including but not limited to entering into a supplemental deed of non-competition in a form satisfactory to the Stock Exchange and/or the Securities and Futures Commission (collectively, the "**Regulators**") if any parties, including but not limited to the Regulators, raise any concerns over competition issues between the Covenantors and our Company or our Group;
 - (v) to allow, subject to confidentiality restrictions imposed by any third party, the representatives of our Company and of the auditors of our Company to have access to its/his financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether the Covenantors and their respective close associates have complied with the terms of the Deed of Non-competition;
 - (vi) to make an annual declaration in a form determined by our Company on the compliance with the terms of the Deed of Non-competition in accordance with the principle of voluntary disclosure in our Company's corporate governance report within two months after the date upon which the financial period of our Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in our Company's annual report, corporate governance report, its other announcements or publications;
 - (vii) the Covenantors, for themselves and on behalf of their respective close associates (except any members of our Group), acknowledge that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our Company's corporate communications in relation to the New Opportunity and agree to the disclosure to the extent necessary (including, for the avoidance of doubt, our Company's advisors) to comply with any such requirement; and

- (viii) to procure our Company to disclose on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through our Company's annual report, or by way of announcement(s) to the public.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and our Group will be taken:

- (a) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (c) our Controlling Shareholders have undertaken under the Deed of Non-competition to provide all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition;
- (d) our Company will disclose in the annual report of our Company or, where our Board considers is appropriate by way of announcement(s), the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition;
- (e) our Controlling Shareholders have undertaken to us under the Deed of Non-competition to make an annual declaration as to compliance with the terms of the Deed of Non-competition in the annual report of our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (f) the independent board committee of our Company comprising all independent non-executive Directors (the “**Independent Board Committee**”) will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunities referred to our Group by our Controlling Shareholders (or their associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. We believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of our Shareholders. For more details of expertise and experience of our independent non-executive Directors, please see “Directors and Senior Management” in this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial advisor and other external professional advisors as they may consider necessary to advise them on the issues which relate to the above matters;
- (g) our Company has established internal control mechanism to identify connected transactions, and will comply with Chapter 20 of the GEM Listing Rules, including, where applicable, the announcement, reporting and independent shareholders’ approval requirements; and
- (h) our Company has appointed Giraffe Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of six Directors, comprising three executive Directors and three independent non-executive Directors.

The following table sets out information concerning our Directors:

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Roles and Responsibilities	Relationships with other Directors or senior management
<i>Executive Directors</i>						
Mr. Liu Yong Cheng (劉永成)	50	Executive Director, chairman and chief executive officer	24 March 2017	30 August 2007	Formulating corporate strategy, planning, business development and supervising the overall operations of our Group, the chairman of our Nomination Committee and a member of our Remuneration Committee	Elder brother of Mr. Liu Yong Qiang
Mr. Liu Yong Qiang (劉永強)	44	Executive Director and deputy general manager	24 March 2017	30 August 2007	Formulating corporate strategy, planning, business development and supervising the overall operations of our Group	Younger brother of Mr. Liu Yong Cheng
Mr. Liu Chunde (劉春德)	65	Executive Director and general manager	24 March 2017	1 January 2009	Formulating corporate strategy, planning, business development and supervising overall operation of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Roles and Responsibilities	Relationships with other Directors or senior management
<i>Independent non-executive Directors</i>						
Mr. Wong Chun Peng Stewart (黃俊鵬)	51	Independent non-executive Director	28 June 2017	28 June 2017	Providing independent advice to our Board, the chairman of our Remuneration Committee and a member of our Audit and Risk Management Committee	N/A
Mr. Li Wai Kwan (李偉君)	45	Independent non-executive Director	28 June 2017	28 June 2017	Providing independent advice to our Board, the chairman of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee	N/A
Ms. Li Helen Hoi Lam (李凱琳)	39	Independent non-executive Director	28 June 2017	28 June 2017	Providing independent advice to our Board, a member of our Audit and Risk Management Committee and Nomination Committee	N/A

The following table sets out some information in respect of our other members of our senior management team:

Name	Age	Position	Date of appointment	Date of joining our group	Roles and Responsibilities	Relationships with other Directors or senior management
Mr. Zhao Yonghe (趙永和)	43	Financial controller and joint company secretary	20 November 2015	20 November 2015	Overseeing our Group's financial and accounting operations and internal control	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment	Date of joining our group	Roles and Responsibilities	Relationships with other Directors or senior management
Mr. Liu Xiushan (劉秀山)	37	Operation manager	2 November 2016	16 November 2011	Administration and management of production and operation of our Group	N/A

DIRECTORS

Executive Directors

Mr. Liu Yong Cheng (劉永成), aged 50, is our executive Director, chairman and chief executive officer. Mr. Liu Yong Cheng is the elder brother of Mr. Liu Yong Qiang. He was appointed as our Director and redesignated as an executive Director on 24 March 2017 and 28 June 2017, respectively. Mr. Liu is also the chairman of our Nomination Committee and a member of our Remuneration Committee. He is responsible for formulating corporate strategy, planning, business development and supervising the overall operations of our Group. Mr. Liu has about 11 years of experience in the natural gas industry. Mr. Liu joined our Group on 30 August 2007 as the director and legal representative of Tonglin Gas. Mr. Liu served as a chairman of the board of Tonglin Gas since November 2010. Mr. Liu is also a director of our subsidiaries, Hesheng and Zhuoyuan.

Prior to joining our Group, he served as a police officer at Guangzhou Public Security Bureau* (廣州市公安局) from September 1988 to August 1997. He served as a managing director of Guangzhou Dexin Property Development Co., Ltd.* (廣州市德心置業發展有限公司) from September 1997 to July 2007.

Mr. Liu graduated from Guangzhou Gong'an School* (廣州市公安學校) in the PRC in July 1988.

Mr. Liu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Liu Yong Qiang (劉永強), aged 44, is our executive Director and deputy general manager. Mr. Liu Yong Qiang is the younger brother of Mr. Liu Yong Cheng. He was appointed as our Director and redesignated as an executive Director on 24 March 2017 and 28 June 2017, respectively. He is primarily responsible for formulating corporate strategy, planning, business development and supervising the overall operations of our Group. Mr. Liu has about 11 years of experience in the natural gas industry. Mr. Liu joined our Group on 30 August 2007 as a manager of Tonglin Gas and was responsible for the overall management of the company's

DIRECTORS AND SENIOR MANAGEMENT

strategic development. Mr. Liu served as a director and a deputy general manager of Tonglin Gas since November 2010 and March 2015, respectively. Mr. Liu is also a director of our subsidiaries, Hesheng and Zhuoyuan.

Prior to joining our Group, Mr. Liu was a PRC military officer in Guangxi from December 1991 to December 1994. He was an employee of Guangzhou Tongde Paper Mill* (廣州同德造紙廠) from January 1995 to August 1995. He was also an officer of Guangzhou Tongde Sub-district Office* (廣州市同德街道辦事處) from September 1995 to August 1996. He served as a deputy general manager of Guangzhou Dexin Property Development Co., Ltd.* (廣州市德心置業發展有限公司) from September 1996 to June 2007.

Mr. Liu graduated from Guangzhou Baiyun Xizhou Middle School* (廣州白雲區西洲中學) (originally known as Shijing No. 2 Middle School* (石井第二中學)) in the PRC in July 1990.

Mr. Liu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Liu Chunde (劉春德), aged 65, is our executive Director and general manager. He was appointed as our Director and redesignated as an executive Director on 24 March 2017 and 28 June 2017, respectively. He is primarily responsible for formulating corporate strategy, planning, business development and supervising overall operations of our Group. Mr. Liu joined our Group on 1 January 2009 as a general manager and was responsible for the overall management of the company's strategic development. Mr. Liu served as a director of Tonglin Gas since November 2010.

Mr. Liu has about nine years of experience in the natural gas industry and extensive experience in management. Mr. Liu was a PRC military officer in Jilin and Guangzhou from April 1974 to March 1987 and April 1987 to August 1992, respectively. He served as a general manager at Guangdong Jinshi Property Development Limited* (廣東金石物業發展總公司) from September 1992 to August 1996.

Mr. Liu served as the executive director and legal representative of Guangzhou Haoke Night Club Co., Ltd.* (廣州市豪客夜總會有限公司) from August 1997 to December 2015, which was deregistered on 24 December 2015 due to cessation of business.

Mr. Liu completed a programme in party and government cadres theory from Jilin University (吉林大學) in the PRC in July 1985.

Mr. Liu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Wong Chun Peng Stewart (黃俊鵬), aged 51, was appointed as an independent non-executive Director on 28 June 2017 and is the chairman of our Remuneration Committee and a member of our Audit and Risk Management Committee. Mr. Wong has more than 25 years of experience in the legal industry. Mr. Wong worked at Deacons Graham & James as a trainee solicitor from August 1993 to July 1995 and became an associate solicitor in the China Practice Group from August 1995 to December 1996. Mr. Wong was qualified as a solicitor of the High Court of Hong Kong in September 1995. Mr. Wong has practiced law in a number of international firms such as Deacons (including posting as a representative in Beijing, the PRC) from September 2002 to March 2005, Baker McKenzie from January 2007 to July 2009 and Hogan Lovells from February 1999 to March 2002, and has worked as in-house counsel in two listed companies in Hong Kong, namely Dickson Concepts (International) Limited, which is listed on the Main Board of the Stock Exchange (“**Main Board**”) (stock code: 0113) and Samsonite International S.A., which is listed on the Main Board (stock code: 1910), from August 2009 to May 2013 and May 2013 to January 2016, respectively. Mr. Wong has been a consultant of YTL & Co., which is a law firm where he has been involved in the provision of a wide array of legal services, including complex mergers and acquisitions, corporate finance, litigation and general commercials. He was also a director of Pinwheel Company Limited which was deregistered on 16 June 2017.

Mr. Wong graduated from the City University of Hong Kong (formally known as City Polytechnic of Hong Kong) in Hong Kong with a bachelor’s degree of law with first class honours in November 1991. He also obtained his master’s degree in law from the University of Cambridge in England in June 1993.

Mr. Wong has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Li Wai Kwan (李偉君), aged 46, was appointed as an independent non-executive Director on 28 June 2017, and is the chairman of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

From March 2005 to July 2006 and from August 2006 to September 2006 respectively, Mr. Li was the vice president of operational finance and the vice president of finance in Asia Pacific region of Esprit Holdings Limited, a listed company on the Main Board (stock code: 330), and principally engaged in manufacturing, retail and wholesale distribution of fashion products, where he was responsible for finance and operational matters. From October 2006 to September 2010, he was a vice president of China Agri-Industries Holdings Limited, which is listed on the Main Board (stock code: 606), and principally engaged in trading on agricultural raw materials, manufacturing and distributing food products, where Mr. Li was responsible for finance, investment and company secretarial matters. From September 2010 to October 2011, Mr. Li was the managing director and director of COFCO Agricultural Investment Fund Management Company Limited, which is principally engaged in asset management, and Mr. Li

DIRECTORS AND SENIOR MANAGEMENT

was responsible for managing overall business and investment matters. From November 2011 to January 2013, Mr. Li was a managing director of Origo Partners PLC, whose shares are listed on the alternative investment market of the London Stock Exchange, and its principal business is private equity investment, and Mr. Li was responsible for investment matters. Since December 2013, Mr. Li has been the chief financial officer of Zhuhai Dahengqin Holding Limited* (珠海大橫琴股份有限公司), which is principally engaged in primary land development and asset management, and Mr. Li is responsible for finance and asset management matters. Mr. Li is the independent non-executive director of KW Nelson Interior Architect Group Limited (currently known as KW Nelson Interior Design and Contracting Group Limited) (stock code: 8411), a listed company on GEM, since 18 November 2016, Miricor Enterprises Holdings Limited (stock code: 8358), a listed company on GEM, since 19 December 2016, Enterprise Development Holdings Limited (stock code: 1808), a listed company on the Main Board, since 27 April 2017 and China Graphene Group Limited (stock code: 63), a listed company on the Main Board, since 1 February 2018.

Mr. Li is an executive committee member and treasurer of the Hong Kong – ASEAN Economic Cooperation Foundation since 2015, an executive director and a honorary president (Hong Kong and Macau) of the Institute of Certified Management Accountants Australia Hong Kong Branch since 2016 and 2018, respectively, and a committee member of Public Awareness Committee of Hong Kong Society of Financial Analysts since 2016. Mr. Li is a director of the board of Chartered Professional Accountants of Canada – Hong Kong Chapter since 2017. Mr. Li was a member of the general committee and the chairman of the investor relations committee of The Chamber of Hong Kong Listed Companies from 2008 to 2010, the honorary vice chairman of China Enterprise Reputation and Credibility Association (Overseas) in 2009, the chairman of partnership and promotion committee of the Hong Kong Investor Relations Association from 2009 to 2010, a member of the Organising Committee of Directors of the Year Awards 2010 organised by the Hong Kong Institute of Directors, a committee member of the PRC committee of the Hong Kong Venture Capital and Private Equity Association in 2011. Mr. Li was a member of finance committee of the Hong Kong Housing Authority from 2010 to 2012.

Mr. Li graduated with a bachelor of commerce degree with distinction from University of Toronto, Canada in November 1995. He further obtained a master of business administration degree from York University in Canada in November 1996. Mr. Li became a chartered financial analyst of the Association for Investment Management and Research in September 2001, a certified general accountant of the Certified General Accountants of Canada in October 2002, a certified public accountant of the HKICPA in October 2004, an associate of the Institute of Chartered Accountant in England and Wales in June 2008, a fellow member of the Association of Chartered Certified Accountants in April 2010, a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada in June 2015, and a fellow certified membership of the Institute of Certified Management Accountants in April 2016.

Save as disclosed above, Mr. Li has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Helen Hoi Lam (李凱琳), age 39, was appointed as an independent non-executive Director on 28 June 2017 and is a member of our Audit and Risk Management Committee and Nomination Committee.

Ms. Li has about 16 years of experience in business and market development. Ms. Li was an engineer of Atomic Energy of Canada Limited, a Canadian nuclear science and technology company, from June 2002 to September 2003. She was an engineer of Imperial Oil Limited, a Canadian petroleum company, from September 2003 to August 2007. She served at Hutchison Ports Limited as a project manager, manager in the technical services projects department, the commercial development department and commercial department from October 2007 to December 2007, January 2008 to October 2009, November 2009 to December 2015 and January 2016 to December 2016, respectively. She has been the head of research and analysis in the commercial department of Hutchison Ports Limited since January 2017.

Ms. Li obtained her bachelor's degree in applied science and master's degree in engineering from the University of Toronto, Canada in June 2002 and June 2005, respectively. She also received her master's degree in business administration from the Hong Kong University of Science and Technology in November 2007. She is a member of the logistics committee of The British Chamber of Commerce in Hong Kong.

Ms. Li has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

CG Code

Our Company's corporate governance practices are based on principles and code provisions as set out in the CG Code. Except for the deviation from provision A.2.1 of the CG Code, our Company's corporate governance practices have complied with the CG Code.

Provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Liu Yong Cheng is the chairman and the chief executive officer of our Company. Since Mr. Liu Yong Cheng has been operating and managing Tonglin Gas, the main operating subsidiary of our Company since its incorporation and due to his familiarity with the operations of our Group, our Board is of the view that it is in the best interest of our Group to have Mr. Liu Yong Cheng taking up both roles for effective management and business development of our Group following the Listing and Mr. Liu Yong Cheng will provide a strong and consistent leadership to our Group. This arrangement ensures a more effective and efficient overall strategic planning of our Group as this structure enables our Company to make and implement decisions promptly and effectively. Further, our Company has put in place an appropriate check-and-balance mechanism through our Board and three independent non-executive Directors. The independent non-executive Directors are able to retain independence of character and judgment and are able to express their views without any constraint. In addition, the Board also consists of two other executive Directors, Mr. Liu Yong Qiang and Mr. Liu Chunde, who are

DIRECTORS AND SENIOR MANAGEMENT

familiarised with the day-to-day business of our Company. Our Company will consult the Board for any major decisions. Therefore, our Board considers that the balance of power and authority of the present arrangement with the Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from provision A.2.1 of the CG Code is appropriate in such circumstance. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, there is no other information in respect of our Directors and our chief executive officer that is discloseable pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Mr. Liu Yong Cheng (劉永成), please see the sub-section headed “Executive Directors” in this section for details.

Mr. Liu Yong Qiang (劉永強), please see the sub-section headed “Executive Directors” in this section for details.

Mr. Liu Chunde (劉春德), please see the sub-section headed “Executive Directors” in this section for details.

Mr. Zhao Yonghe (趙永和), aged 43, joined our Group on 20 November 2015 as the financial controller and was appointed as the joint company secretary of our Group on 6 June 2017. Mr. Zhao is primarily responsible for overseeing our Group’s financial and accounting operations and internal control. Mr. Zhao is an intermediate accountant in the PRC.

Mr. Zhao has more than 21 years of experience in the auditing, accounting and management industry. Prior to joining our Group, he was a financial manager at Ching Sum Mould (Dongguan) Company Limited* (精深制模 (東莞) 有限公司) from August 1997 to December 1999. He was a financial manager at Dongguanshi Niuxin Metal Product Company Limited* (東莞市鈕鑫金屬製品有限公司) from January 2000 to August 2005. He also worked as a chief financial officer from Dongguan Taide Lighting Technology* (東莞泰德照明科技有限公司) from September 2005 to February 2008. He then worked as a financial manager at Dongguan Hongxing Metal Product Company Limited* (東莞鴻興金屬製品有限公司) from March 2008 to November 2015.

Mr. Zhao completed two years studies in accounting at China Central Radio and Television University* (中央廣播電視大學) in China in July 2015. He also obtained a qualification certificate for accountant in intermediate level issued by Ministry of Finance of the PRC* (中華人民共和國財政部) in May 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Liu Xiushan (劉秀山), aged 37, joined our Group on 16 November 2011 as the operation manager and is primarily responsible for our Group's administration and management of production and operation. Mr. Liu has about seven years of experience in the natural gas industry. He served as a gas refuelling station staff from November 2011 to April 2012. From April 2012 to November 2013, he became manager of our gas station. From November 2013 to May 2016, he served as the head of our gas refuelling stations. He then served as a sales manager from May 2016 to October 2016. He became our operation manager since November 2016.

Mr. Liu worked for Shanxi Public Security Bureau* (山西省公安局) as an employee from November 2003 to January 2007. He is a self-employed entrepreneur from February 2007 to October 2011.

Mr. Liu completed three years studies in law at Tai Yuan University of Technology* (太原理工大學) in Shanxi province in the PRC in July 2005.

Mr. Liu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

JOINT COMPANY SECRETARIES

Mr. Zhao Yonghe (趙永和) was appointed as our joint company secretary on 6 June 2017 and is primarily responsible for overseeing our Group's financial and accounting operations and internal control. Please see the sub-section headed "Senior Management" in this section for details.

Ms. Cheng Mei Chun (鄭美珍), aged 53, was appointed as our joint company secretary on 6 June 2017 and 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 director of corporate services division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. She has been an associate of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries since August 1992 and August 1994, respectively.

Ms. Cheng graduated from Lingnan University (formerly known as Lingnan College) in November 1989 with Honours Diploma in Company Secretaryship and Administration.

COMPLIANCE OFFICER

Mr. Liu Yong Cheng (劉永成) serves as our compliance officer for the purpose of the GEM Listing Rules. Please see the sub-section headed "Executive Directors" in this section for the profile of Mr. Liu Yong Cheng.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit and Risk Management Committee

We established an Audit and Risk Management Committee pursuant to a Board resolution passed on 20 April 2018 in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The duties of the Audit and Risk Management Committee include reviewing, in draft form, our annual report and accounts, half-year report and quarterly report and providing advice and comments to the Board. In this regard, members of the Audit and Risk Management Committee will liaise with our Board, our senior management, our reporting accountants and auditors. The Audit and Risk Management Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the Audit and Risk Management Committee are also responsible for reviewing our Company's financial reporting process and internal control system.

The Audit and Risk Management Committee comprises three independent non-executive Directors, namely Mr. Wong Chun Peng Stewart, Mr. Li Wai Kwan and Ms. Li Helen Hoi Lam and is chaired by Mr. Li Wai Kwan.

Remuneration Committee

We established a Remuneration Committee pursuant to a Board resolution passed on 20 April 2018 in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to our Board of the remuneration of independent non-executive Directors.

The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Liu Yong Cheng, Mr. Li Wai Kwan and Mr. Wong Chun Peng Stewart and is chaired by Mr. Wong Chun Peng Stewart.

Nomination Committee

We established a Nomination Committee pursuant to a Board resolution passed on 20 April 2018 in compliance with the CG Code. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Liu Yong Cheng, Ms. Li Helen Hoi Lam and Mr. Li Wai Kwan and is chaired by Mr. Liu Yong Cheng.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Giraffe Capital Limited as our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under Chapter 19 or 20 of the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in the listing document; and
- (d) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, and pension scheme contributions) paid to our Directors for FY2015, FY2016 and FY2017 were approximately RMB232,000, RMB285,000 and RMB282,000, respectively.

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, and pension scheme contributions) paid to our senior management for FY2015, FY2016 and FY2017 were approximately RMB286,000, RMB405,000 and RMB414,000, respectively. The aggregate remuneration (including fees, salaries, allowances and benefits in kind, and pension scheme contributions) paid to our Company's five highest paid individuals for FY2015, FY2016 and FY2017 were approximately RMB422,000, RMB466,000 and RMB445,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company. Save as disclosed above, no other payments have been made or are payable in respect of FY2015, FY2016 and FY2017 by any member of our Group to any of our Directors. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2018 to be approximately RMB480,000.

For additional information on Directors' remunerations during the Track Record Period as well as information on the highest paid individuals, please refer to notes 7 and 8 in the Accountants' Report as set out in Appendix I to this prospectus.

CORPORATE GOVERNANCE

Our Company will comply with the CG Code. Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with “comply or explain” principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. Salient terms of the Share Option Scheme are summarised under the section headed “Statutory and General Information – H. Share Option Scheme” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholder	Nature of interest and capacity	Shares held immediately following the completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held/interested	Approximate percentage of shareholding
Hongsheng ^(Note 2)	Beneficial owner; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%
Mr. Liu Yong Qiang ^(Note 2)	Interest in controlled corporation; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%
Yongsheng ^(Note 3)	Beneficial owner; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%
Mr. Liu Yong Cheng ^(Note 3)	Interest in controlled corporation; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Immediately following the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme), Mr. Liu Yong Qiang (i) directly owns 100% of Hongsheng, which will in turn hold 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company; therefore Mr. Liu Yong Qiang is deemed, or taken to be interested in, all the Shares held by Hongsheng for the purpose of the SFO; and (ii) owns 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company in which Mr. Liu Yong Qiang is deemed to be interested as a result of being a party acting in concert with Mr. Liu Yong Cheng.
- (3) Immediately following the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme), Mr. Liu Yong Cheng (i) directly owns 100% of Yongsheng, which will in turn hold 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company; therefore Mr. Liu Yong Cheng is deemed, or taken to be interested in, all the Shares held by Yongsheng for the purpose of the SFO; and (ii) owns 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company in which Mr. Liu Yong Cheng is deemed to be interested as a result of being a party acting in concert with Mr. Liu Yong Qiang.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Share Offer.

Authorised share capital: *HK\$*

<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000.00</u>
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Issued and to be issued, fully paid or credited as fully paid:

100,000,200	Shares in issue as at the date of this prospectus	1,000,002.00
274,999,800	Shares to be issued pursuant to the Capitalisation Issue	2,749,998.00
<u>125,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,250,000.00</u>
<u>500,000,000</u>	Shares in total	<u>5,000,000.00</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividend or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 20 April 2018 and the principal terms of the Share Option Scheme are summarised in “Statutory and General Information – H. Share Option Scheme” in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

SHARE CAPITAL

GENERAL MANDATES GRANTED TO OUR DIRECTORS

Subject to the Share Offer becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to repurchase Shares.

For details of such general mandates, please see “Statutory and General Information – A. Further Information about our Company – 3. Written Resolutions of our Shareholders passed on 20 April 2018” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which shall carry the same rights as the other Shares.

As a matter of the Cayman Islands company law, a Cayman Islands exempted company is not required by law to convene an annual general meeting unless the articles of association otherwise provide. The holding of general meeting or class meeting is prescribed for under the articles of association of a Cayman Islands company. Accordingly, our Company will hold general meetings as prescribed for under the Articles of Association. A summary of the circumstances under which general meeting and class meeting are required is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information as set out in the Accountants' Report in Appendix I to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors" in this prospectus.

OVERVIEW

We are an established CNG supplier in Jingzhou, Hubei Province. We generate our revenue from the distribution of CNG to both retail customers which are mostly vehicular end-users, and wholesale customers which are urban gas companies, gas refuelling station operators and industrial users. Our principal product offering is CNG which we purchase from our natural gas supplier, PetroChina. According to the F&S Report, we ranked second with a market share of 12.8% in Jingzhou, Hubei Province, in terms of natural gas sales volume in 2016.

We operated a total of four gas refuelling stations in Jingzhou, Hubei Province with approximately 51.0%, 59.7% and 54.4% of our total revenue attributable to retail operation during FY2015, FY2016 and FY2017, respectively. In addition to the operation of gas refuelling stations, we also generated approximately 49.2%, 40.6% and 45.9% of our total revenue from the wholesale business for FY2015, FY2016 and FY2017, respectively. For FY2015, FY2016 and FY2017, our total revenue was approximately RMB84.0 million, RMB63.7 million and RMB65.7 million, respectively.

We recorded a net profit of approximately RMB6.0 million and RMB3.8 million for FY2015 and FY2016, respectively, and a net loss of approximately RMB5.4 million for FY2017, which was primarily due to the Listing expenses recognised during the year. Excluding the one-off Listing expenses, our net profit for FY2017 would be RMB6.6 million, representing an increase of 66.9% as compared to FY2016. Our total assets as at 31 December 2015, 2016 and 2017 amounted to approximately RMB55.9 million, RMB58.1 million and RMB48.8 million, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in “History, Reorganisation and Corporate Structure” in this prospectus, our Company became the holding company of the companies now comprising our Group on 15 June 2017. The companies now comprising our Group were under the common control of the Controlling Shareholders, before and after the Reorganisation. Accordingly, our financial information as set out in the Accountants’ Report in Appendix I to this prospectus has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Reliance on our sole natural gas supplier for natural gas

Natural gas constitutes the major raw material for our business. For FY2015, FY2016 and FY2017, our cost of inventories sold amounted to RMB59.6 million, RMB44.2 million and RMB44.9 million, respectively, representing 82.2%, 79.2% and 79.7% of our total cost of sales, respectively. As of the Latest Practicable Date, PetroChina was our sole supplier.

Prior to entering into the Master Supply Agreement with PetroChina, we entered into an annual supply framework agreement with PetroChina. To secure a stable and abundant natural gas supply for our operation, we entered into the Master Supply Agreement for a 25-year term with PetroChina in January 2015. For details please see “Business – Our Relationship with PetroChina” in this prospectus.

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We have a well-established relationship with PetroChina, our sole natural gas supplier during the Track Record Period. We believe that our well-established relationship with PetroChina enables us to obtain a reliable supply of natural gas which is essential for the operation and development of a natural gas distribution business.

Any dispute between our Group and PetroChina may affect our supply relation with PetroChina, and result in the loss of business opportunities. If we are not able to source sufficient amount of natural gas or at all at a similar price to our existing purchase price or on commercially acceptable terms, our business, financial condition and operating result will be materially and adversely affected. Further, if there is any price adjustment from the relevant pricing authorities or our supplier on our purchase price of natural gas and if we fail to take necessary step to pass on the corresponding increase in the purchase price of natural gas to our customers in a timely manner, we will have limited room to minimise our costs to maintain profitability, our revenue, cash flows and operating results may be materially and adversely affected.

Government's price control regime for natural gas purchase price and CNG selling price

Our results of operations and financial condition may be affected by government policies regarding our natural gas purchase price and CNG selling price. China's current natural gas pricing management is subject to a benchmark gateway station price guided by the PRC government. For the details of pricing regime for domestic natural gas, please see "Regulatory Overview – Price Determination Regime of Natural Gas" in this prospectus.

Natural gas purchase price is generally determined based on the gateway station price set by the NDRC, with an allowable upward adjustment capped at 20% of unit price since November 2016. Our purchase price for natural gas is subject to negotiation with PetroChina, which is determined based on a combination of factors including the relevant government guided benchmark gateway station prices and settlement terms.

The NDRC set natural gas gateway station price within each province based on conditions of respective regions. Local price bureaus are responsible for determining ceiling price for downstream sale. The upper limit of our CNG selling prices to end-users are generally determined by Jingzhou Price Bureau. Different natural gas tariff schedules apply to residential usage and non-residential usage, including commercial and industrial, and vehicular usage. We are entitled to adjusting our selling price of CNG for non-residential users and vehicular usage, subject to a maximum end-user price imposed by Jingzhou Price Bureau.

The benchmark/maximum prices of our natural gas supplies and CNG sales are controlled by the government and adjusted from time to time. If the prices of natural gas that we purchase from PetroChina or that we sell to our customers fluctuate due to changes in prevailing market conditions or regulatory policies and we are unable to pass the impact of the price adjustments to our customers in a timely manner, our revenue, cash flows and results of operation will be materially adversely affected.

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The following table sets out a sensitivity analysis illustrating the changes in our profit before tax of FY2015, FY2016 and FY2017 for hypothetical increase or decrease in selling price of CNG, while all other factors remain unchanged:

	Increase/Decrease in our profit before tax		
	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical fluctuation of selling price of CNG:			
Hypothetical increase/decrease of 1.0%	+/-840	+/-637	+/-657
Hypothetical increase/decrease of 3.0%	+/-2,520	+/-1,911	+/-1,970
Hypothetical increase/decrease of 5.0%	+/-4,200	+/-3,185	+/-3,283
Hypothetical increase/decrease of 19.0% (maximum fluctuation during the Track Record Period)	+/-15,961	+/-12,102	+/-12,476

The following table sets out a sensitivity analysis illustrating the changes in our profit before tax of FY2015, FY2016 and FY2017 for hypothetical increase or decrease in the purchase price of natural gas, while all other factors remain unchanged:

	Decrease/Increase in our profit before tax		
	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical fluctuation of purchase price of natural gas:			
Hypothetical increase/decrease of 1.0%	-/+596	-/+442	-/+449
Hypothetical increase/decrease of 3.0%	-/+1,789	-/+1,325	-/+1,348
Hypothetical increase/decrease of 5.0%	-/+2,981	-/+2,209	-/+2,246
Hypothetical increase/decrease of 22.9% (maximum fluctuation during the Track Record Period)	-/+13,655	-/+10,117	-/+10,289

General economic conditions in Jingzhou, Hubei Province

All of our gas refuelling stations are located in Jingzhou, Hubei Province. Our business operations and the demand for our natural gas supply are therefore exposed to any deterioration in the economic, social and/or political conditions as well as any incidence of social unrest, strike, riot, civil disturbance or disobedience in Jingzhou, Hubei Province. Due to limited geographical coverage of our business, the aforesaid adverse circumstances may materially and adversely disrupt operations of our gas refuelling stations and in turn, the revenue and profitability of our Group, and consequently, our financial condition and results of operations.

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Reliance on our largest customer

For FY2015, FY2016 and FY2017, sales to Jingzhou Public Transport, our largest customer during the Track Record Period, accounted for approximately 26.4%, 29.9% and 26.4%, respectively, of our total revenue. We will continue to rely our business on Jingzhou Public Transport. If Jingzhou Public Transport ceases to purchase or reduce substantially their procurement of natural gas from us in the future, we may not be able to seek alternative customers within a short period of time, the business and financial performance of our Group may be materially and adversely affected.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial information. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in the Accountants' Report in Appendix I of this prospectus.

Significant accounting policies

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5.00%
Leasehold improvements	37.50%
Plant and machinery	10.00%
Motor vehicles	10.00%
Others	20.00%-33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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Critical accounting estimates and judgements

Impairment of trade and other receivables

Impairment of trade and other receivables is recognised based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and the impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, our Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

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RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	84,003	63,696	65,665
Cost of sales	<u>(72,520)</u>	<u>(55,800)</u>	<u>(56,403)</u>
Gross profit	11,483	7,896	9,262
Other income and gain	957	16	26
Selling and distribution expenses	(1,151)	(636)	(523)
Administrative expenses	(2,096)	(1,661)	(13,115)
Other expenses	<u>(616)</u>	<u>(86)</u>	<u>(14)</u>
Profit/(loss) before tax	8,577	5,529	(4,364)
Income tax expense	<u>(2,528)</u>	<u>(1,733)</u>	<u>(1,053)</u>
Profit/(loss) for the year	<u><u>6,049</u></u>	<u><u>3,796</u></u>	<u><u>(5,417)</u></u>

Our Group recorded accumulated losses of RMB1.6 million as at 1 January 2015 and were mainly attributable to our operations for the years ended 31 December 2012 and 2013. For the year ended 31 December 2012, we incurred significant set up costs of our business which were charged to our profit or loss accounts. Our revenue were relatively low during our early stage of operations for the years ended 31 December 2012 and 2013, together with relatively higher depreciation charge as our business required the investment of fixed assets, and as a result we incurred losses for the years ended 31 December 2012 and 2013. After the ramping up of our operation and the improved natural gas consumption volume of Jingzhou of 40.3% from 124.7 million m³ for the year ended 31 December 2013 to 174.9 million m³ for the year ended 31 December 2014, we recorded net profit for the year ended 31 December 2014 and offset partially the accumulated losses brought forward as at 1 January 2014, which resulted the accumulated losses of RMB1.6 million as at 1 January 2015. During the Track Record Period, we continued to develop our retail operation and wholesale business, including the development of new customers and the establishment of our Shahong Substation in April 2015 and we recorded net profits (excluding Listing expenses) for the years ended 31 December 2015, 2016 and 2017. Our revenue and sales volume have been decreasing during the years ended 31 December 2015 and 2016 due to the decrease in selling price of CNG and the decrease in demand for CNG from our customers. In general, we have limited control over the pricing of CNG for our customers. Our gross profit has also been decreasing during the years

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ended 31 December 2015 and 2016 due to the decrease in our revenue, while certain fixed costs included in our cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, were fixed. As a result of the foregoing, our results of operations have been deteriorating since 2014.

During the year ended 31 December 2017, our revenue and sales volume slightly increased mainly attributable to our wholesale business as a result of the increase in average selling price of CNG and the increase in demand for our CNG from industrial users and urban gas companies.

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we mainly generated revenue from retail operation and wholesale business in Jingzhou, Hubei Province. The following table sets forth the breakdown of the nature of our revenue for the periods indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Retail operation						
Buses	22,173	26.4	19,051	29.9	17,347	26.4
Taxis and private vehicles	<u>20,637</u>	24.6	<u>18,990</u>	29.8	<u>18,384</u>	28.0
	42,810	51.0	38,041	59.7	35,731	54.4
Wholesale business	41,383	49.2	25,862	40.6	30,120	45.9
Others	<u>(190)</u>	(0.2)	<u>(207)</u>	(0.3)	<u>(186)</u>	(0.3)
Total revenue	<u>84,003</u>	100.0	<u>63,696</u>	100.0	<u>65,665</u>	100.0

Our revenue decreased by RMB20.3 million or 24.2% from RMB84.0 million for FY2015 to RMB63.7 million for FY2016 as a result of the decrease in revenue from retail operation and wholesale business, and increased by RMB2.0 million or 3.1% to RMB65.7 million for FY2017 as a result of the increase in revenue from wholesale business. Others mainly represented taxes and surcharges. During FY2016 and FY2017, we recorded sales of LNG amounted to RMB0.2 million and RMB0.9 million, respectively.

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The table below sets forth the sales volume, percentage of total sales volume and our average selling price of CNG for the periods indicated:

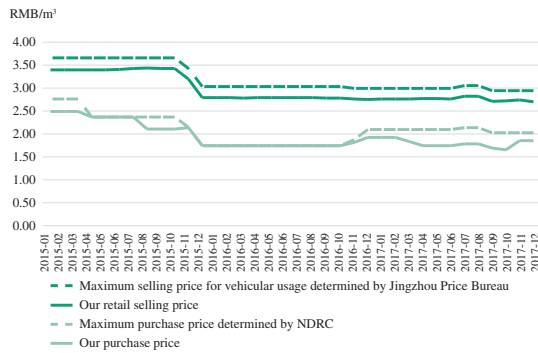
	Year ended 31 December		
	2015	2016	2017
Buses			
Sales volume (million m ³)	7.1	7.4	6.8
As a percentage of total sales volume	25.8%	28.7%	26.3%
Average selling price (RMB/m ³ , VAT exclusive)	3.14	2.57	2.55
Taxis and private vehicles			
Sales volume (million m ³)	5.8	6.4	6.2
As a percentage of total sales volume	21.1%	24.8%	23.9%
Average selling price (RMB/m ³ , VAT exclusive)	3.54	2.98	2.95
Subtotal for retail operation			
Sales volume (million m ³)	12.9	13.8	13.0
As a percentage of total sales volume	46.9%	53.5%	50.2%
Average selling price (RMB/m ³ , VAT exclusive)	3.32	2.75	2.74
Wholesale business			
Sales volume (million m ³)	14.6	12.0	12.9
As a percentage of total sales volume	53.1%	46.5%	49.8%
Average selling price (RMB/m ³ , VAT exclusive)	2.83	2.16	2.28
Total revenue			
Sales volume (million m ³)	27.5	25.8	25.9
As a percentage of total sales volume	100.0%	100.0%	100.0%
Average selling price (RMB/m ³ , VAT exclusive)	3.05	2.47	2.51

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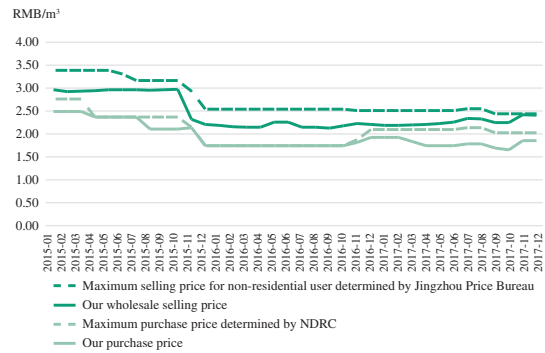
Selling price of CNG

We are entitled to adjusting our selling price of CNG for non-residential users and vehicular usage, subject to a maximum end-user price imposed by Jingzhou Price Bureau. The charts below set forth (i) the monthly movements of the maximum selling price of CNG for vehicular usage determined by Jingzhou Price Bureau and our retail selling price of CNG (VAT exclusive); (ii) the monthly movements of the maximum selling price of CNG for non-residential users determined by Jingzhou Price Bureau and our wholesale selling price of CNG (VAT exclusive); and (iii) the monthly movements of the gateway station price of natural gas determined by NDRC and our purchase price of natural gas (VAT exclusive) during the Track Record Period:

Selling price for our retail customers and our purchase price



Selling price for our wholesale customers and our purchase price



Notes:

1. The applicable gateway station price for our Group from 1 January 2015 to 31 March 2015 was the incremental gas price.
2. Our purchase price was same as the gateway station price for the periods from 1 April 2015 to 31 July 2015, and 20 November 2015 to 19 November 2016.

Under the regulation of Jingzhou Price Bureau, (i) the maximum selling price for vehicular usage (VAT exclusive) decreased from RMB3.63/m³ for the period from 1 January 2015 to 19 November 2015 to RMB3.01/m³ for the period from 20 November 2015 to 31 October 2016, then decreased to RMB2.97/m³ since 1 November 2016, and further to RMB2.92/m³ since 1 September 2017; whereas (ii) the maximum selling price for non-residential users (VAT exclusive) decreased from RMB3.36/m³ for the period from 1 January 2015 to 19 June 2015 to RMB3.14/m³ for the period from 20 June 2015 to 19 November 2015, then decreased to RMB2.52/m³ for the period from 20 November 2015 to 31 October 2016, and further decreased to RMB2.49/m³ since 1 November 2016 and further to RMB2.42/m³ since 1 September 2017.

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As a result of the changes in the maximum selling price determined by Jingzhou Price Bureau, (i) our average selling price of CNG to buses (VAT exclusive) decreased from RMB3.14/m³ for FY2015 to RMB2.57/m³ for FY2016, and remained stable at RMB2.55/m³ for FY2017; (ii) our average selling price of CNG to taxis and private vehicle owners (VAT exclusive) decreased from RMB3.54/m³ for FY2015 to RMB2.98/m³ for FY2016, and remained stable at RMB2.95/m³ for FY2017; and (iii) our average selling price of CNG to wholesale customers (VAT exclusive) decreased from RMB2.83/m³ for FY2015 to RMB2.16/m³ for FY2016 and increased to RMB2.28/m³ for FY2017.

Retail operation

Our revenue from retail operation principally came from drivers of public transportation vehicles such as buses and taxis, and private vehicle owners. Our revenue from retail operation through the four gas refuelling stations we operated in Jingzhou, Hubei Province amounted to RMB42.8 million, RMB38.0 million and RMB35.7 million, representing 51.0%, 59.7% and 54.4% of our total revenue for FY2015, FY2016 and FY2017, respectively.

Our revenue from retail operation decreased by RMB4.8 million or 11.2% from RMB42.8 million for FY2015 to RMB38.0 million for FY2016 primarily due to the decrease in our average selling price of CNG, which was partly offset by the increase in sales volume to buses, taxis and private vehicles of 0.9 million m³ or 7.0%, from 12.9 million m³ for FY2015 to 13.8 million m³ for FY2016, as a result of energy conservation and emissions reductions policies promoted by the PRC government and the ramping up of our operation.

Our revenue from retail operation decreased by RMB2.3 million or 6.1% from RMB38.0 million for FY2016 to RMB35.7 million for FY2017 mainly due to the decrease in sales volume. Given (i) the long business relationship of over six years between our Group and Jingzhou Public Transport and in view of the continuous refuelling services provided to Jingzhou Public Transport since 2012; (ii) stable sales volume to Jingzhou Public Transport ranging from 6-7 million m³ during the Track Record Period; and (iii) the confirmation dated 13 February 2018 issued by Jingzhou Public Transport, which set out that (a) Jingzhou Public Transport would continue to maintain a business relationship with our Group and has undertaken to continue its purchase of CNG from our Group; and (b) it is expected that the purchase volume of CNG by Jingzhou Public Transport starting from 2018 will be $\pm 10\%$ of the purchase volume of the preceding year from our Group, our Directors believe that Jingzhou Public Transport will continue to purchase CNG from our Group and that the estimated annual sales volume to buses for FY2018 would be comparable to FY2017.

Wholesale business

Our revenue from wholesale business came from urban gas companies, gas refuelling station operators and industrial users. Our revenue from wholesale business amounted to RMB41.4 million, RMB25.9 million and RMB30.1 million, representing 49.2%, 40.6% and 45.9% of our total revenue for FY2015, FY2016 and FY2017, respectively.

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Our revenue from wholesale business decreased by RMB15.5 million or 37.4% from RMB41.4 million for FY2015 to RMB25.9 million for FY2016 primarily due to the (i) decrease in our average selling price of CNG; and (ii) decrease in sales volume of CNG, mainly due to the decrease in sales to some industrial customers, who increased purchase of LNG, as a result of the decrease in price of LNG.

Our revenue from wholesale business increased by RMB4.2 million or 16.5% from RMB25.9 million for FY2016 to RMB30.1 million for FY2017, primarily due to the increase in our average selling price of CNG and the increase in demand for our CNG from industrial users and urban gas companies.

Cost of sales

During the Track Record Period, we purchased natural gas from PetroChina. The following table sets forth the breakdown of our cost of sales by nature for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	59,628	44,178	44,929
Depreciation of property, plant and equipment	3,529	3,713	3,902
Utilities	2,823	2,602	2,567
Staff costs	3,032	2,556	2,280
Gas refuelling stations rental expenses	1,329	1,611	1,585
Others	2,179	1,140	1,140
Total cost of sales	72,520	55,800	56,403

Our cost of sales mainly consists of cost of inventories sold and certain fixed costs, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses. Cost of inventories sold, mainly include procurement costs of natural gas purchased from PetroChina, amounted to RMB59.6 million, RMB44.2 million and RMB44.9 million, representing 82.2%, 79.2% and 79.7% of our total cost of sales for FY2015, FY2016 and FY2017, respectively. During FY2016 and FY2017, we recorded purchase of LNG amounted to RMB0.2 million and RMB0.8 million, respectively.

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The table below sets forth the purchase volume and our average purchase price of natural gas for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
Purchase volume (million m ³)	26.3	25.1	25.2
Average purchase price (RMB/m ³ , VAT exclusive)	2.27	1.75	1.75

Purchase price of natural gas

Our purchase price for natural gas is subject to negotiation with PetroChina, which is determined based on a combination of factors including the benchmark gateway station prices set by the NDRC and settlement terms.

Under the regulation of the NDRC, the gateway station price of natural gas (VAT exclusive) decreased from RMB2.74/m³ for the period from 1 January 2015 to 31 March 2015 to RMB2.35/m³ for the period from 1 April 2015 to 19 November 2015, and decreased to RMB1.73/m³ for the period since 20 November 2015, and further decreased to RMB1.68/m³ since 1 September 2017. Effective from 20 November 2016, the industry players are allowed to charge up to 20.0% more than the benchmark gateway station price of natural gas, and there is no downward limit for it. Regardless of such 20.0% allowable adjustment, PetroChina eliminated the 10.0% adjustment that it previously charged our Group since November 2016 and reduced our purchase price to the benchmark gateway station price in March 2017. In addition, based on our experience and understanding of the industry, as natural gas is a strategic resources in the PRC, it is a mechanism whereby allowing PetroChina to regulate the demand and supply for resource allocation purpose, and it is not always a one-way increase of the purchase price since PetroChina might also decrease the purchase price.

As a result of the fluctuation in the gateway station price of natural gas and relevant regulations of the NDRC, our average purchase price of natural gas (VAT exclusive) decreased from RMB2.27/m³ for FY2015 to RMB1.75/m³ for FY2016, and remained stable at RMB1.75/m³ for FY2017.

Our cost of sales decreased by RMB16.7 million or 23.0% from RMB72.5 million for FY2015 to RMB55.8 million for FY2016 mainly because of the decrease in cost of inventories sold by RMB15.4 million or 25.8% from RMB59.6 million for FY2015 to RMB44.2 million for FY2016, primarily due to the (i) decrease in purchase volume of natural gas, which was in line with the decrease in total sales volume of CNG; and (ii) decrease in our average purchase price of natural gas.

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Our cost of sales increased by RMB0.6 million or 1.1% from RMB55.8 million for FY2016 to RMB56.4 million for FY2017 mainly due to the increase in cost of inventories sold by RMB0.7 million or 1.7% from RMB44.2 million for FY2016 to RMB44.9 million for FY2017, primarily due to the increase in purchase volume of natural gas, which was in line with the increase in total sales volume of natural gas.

Gross profit

Our gross profit amounted to RMB11.5 million, RMB7.9 million and RMB9.3 million for FY2015, FY2016 and FY2017, respectively. Our gross profit margin was 13.7%, 12.4% and 14.1% for FY2015, FY2016 and FY2017, respectively.

As a result of the foregoing, our gross profit decreased by RMB3.6 million from RMB11.5 million for FY2015 to RMB7.9 million for FY2016. Gross profit margin decreased by 1.3 percentage points from 13.7% for FY2015 to 12.4% for FY2016. Such decrease was mainly resulted from the decrease in our revenue, while certain fixed costs included in our cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, were fixed.

Our gross profit increased by RMB1.4 million from RMB7.9 million for FY2016 to RMB9.3 million for FY2017. Gross profit margin increased by 1.7 percentage points from 12.4% for FY2016 to 14.1% for FY2017. Such increase was mainly resulted from the increase in our revenue, while certain fixed costs included in our cost of sales remained relatively stable. In light of the nature of natural gas industry and our business, our fixed cost of operation is higher due to the depreciation charge of our gas refuelling stations and our fixed assets.

Volume difference

The volume of CNG sold is based on meter readings recorded by our meters installed at our gas refuelling stations, while the volume of natural gas purchased from PetroChina is based on meter readings recorded by meters of PetroChina. The volume of CNG sold and the volume of natural gas purchased from PetroChina may be different during the Track Record Period because of (i) $\pm 1.0\%$ error of measuring instruments; and (ii) influence of temperature and pressure. For the detailed mechanism of each of the above factors, please see “Industry Overview – Analysis of Natural Gas Downstream Supplier Market in Jingzhou – Analysis of volume difference” in this prospectus.

Other income and gain

Other income and gain amounted to RMB957,000, RMB16,000 and RMB26,000 for FY2015, FY2016 and FY2017, respectively, representing gain from disposal of a subsidiary and interest income. During FY2015, we recorded a one-off gain of RMB951,000 on the disposal of a subsidiary.

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Selling and distribution costs

The following table sets forth the breakdown of our selling and distribution costs for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	688	573	393
Other selling and distribution costs	<u>463</u>	<u>63</u>	<u>130</u>
Total selling and distribution costs	<u>1,151</u>	<u>636</u>	<u>523</u>

Our selling and distribution costs mainly consist of staff costs, office and travel expenses of our operation department.

Our selling and distribution costs decreased by RMB0.6 million from RMB1.2 million for FY2015 to RMB0.6 million for FY2016. During FY2015, we incurred RMB0.3 million for signage installed at our gas refuelling station to promote our brand. Our selling and distribution costs further decreased by RMB0.1 million to RMB0.5 million primarily due to the decrease in staff cost.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listing expenses	–	143	11,991
Depreciation	206	199	154
Staff costs	878	651	516
Other administrative expenses	<u>1,012</u>	<u>668</u>	<u>454</u>
Total administrative expenses	<u>2,096</u>	<u>1,661</u>	<u>13,115</u>

Our administrative expenses mainly consist of Listing expenses, depreciation, staff costs of administrative departments, and other administrative expenses.

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Our administrative expenses decreased by RMB0.4 million from RMB2.1 million for FY2015 to RMB1.7 million for FY2016 primarily due to the decrease in staff costs and rental expenses, and one-off accounting and finance consultation fee of RMB0.2 million paid to an international accounting firm during FY2015 to enhance our accounting and internal control policies.

Our administrative expenses increased by RMB11.4 million to RMB13.1 million for FY2017 primarily due to Listing expenses of RMB12.0 million recognised during the year.

Other expenses

Our other expenses amounted to RMB0.6 million, RMB86,000 and RMB14,000 for FY2015, FY2016 and FY2017, respectively. Our other expenses for FY2015 mainly consist of (i) product quality fine for moisture content; and (ii) late charge for VAT in relation to late filing of VAT return for certain retail income of FY2014 and FY2015 by our then accountant who has left our Group. The relevant VAT and late charge incurred amounted to RMB1.2 million and RMB0.2 million in relation to FY2014, and RMB1.9 million and RMB0.1 million in relation to FY2015, respectively. As advised by our Legal Advisers, late charge for VAT is not an administrative penalty pursuant to the relevant PRC laws and it is an immaterial non-compliance incident. According to relevant tax authority, our Group has settled all outstanding VAT in relation to FY2014 and FY2015 and related late charge. We had enhanced the internal control procedures, including closer monitoring by our financial controller.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of our Group domicile or operate.

(a) Cayman Islands and BVI

Our Group has not been subject to any income tax in the Cayman Islands or BVI during the Track Record Period.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong during the Track Record Period.

(c) PRC corporate income tax

Our PRC subsidiaries are subjected to a tax rate of 25.0% during the Track Record Period on the assessable profits arising in or derived from the PRC.

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As a result of the foregoing, our income tax expense amounted to RMB2.5 million, RMB1.7 million and RMB1.1 million for FY2015, FY2016 and FY2017, respectively. The effective tax rate was 29.5% and 31.3% for FY2015 and FY2016, respectively. For FY2015 and FY2016, the effective tax rate was higher than the applicable statutory tax rate of 25.0% mainly due to the non-deductible expenses in relation to depreciation charge of certain of our property, plant and equipment, and certain operating expenses. The effective tax rate for FY2016 was higher than that for FY2015 mainly because the non-deductible expenses in relation to depreciation charge were relatively stable, while the profit before tax decreased.

The effective tax rate for FY2017 was negative 24.1% mainly because we incurred a net loss during the year, which was primarily due to the Listing expenses recognised. Excluding the Listing expense, the effective tax rate (dividing the sum of income tax expense and tax shield in relation to the deductible Listing expenses in the PRC by the sum of loss before tax and the Listing expenses) would be 27.9%, which was higher than the applicable statutory tax rate of 25.0% mainly due to the non-deductible expenses in relation to depreciation charge and certain operating expenses. The effective tax rate for FY2017 was lower than that for FY2016 mainly because the non-deductible expenses in relation to depreciation charge were relatively stable, while the profit before tax excluding Listing expenses increased. The effective tax rate for FY2017 was lower than that for FY2015 mainly because we incurred non-deductible (i) product quality fine for moisture content; and (ii) late charge for VAT during FY2015.

Save as disclosed in this prospectus, as of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by RMB2.0 million or 3.1% from RMB63.7 million for FY2016 to RMB65.7 million for FY2017 mainly as a result of the increase in revenue from wholesale business by RMB4.2 million or 16.5% from RMB25.9 million for FY2016 to RMB30.1 million for FY2017, primarily due to the increase in demand for our CNG from our wholesale customers.

Cost of sales

Our cost of sales increased by RMB0.6 million or 1.1% from RMB55.8 million for FY2016 to RMB56.4 million for FY2017 mainly due to the increase in cost of inventories sold by RMB0.7 million or 1.7% from RMB44.2 million for FY2016 to RMB44.9 million for FY2017, primarily due to the increase in purchase volume of natural gas, which was in line with the decrease in total sales volume of CNG.

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Gross profit

As a result of the foregoing, our gross profit increased by RMB1.4 million from RMB7.9 million for FY2016 to RMB9.3 million for FY2017. Gross profit margin increased by 1.7 percentage points from 12.4% for FY2016 to 14.1% for FY2017. Such increase was mainly resulted from the increase in our revenue, while certain fixed costs included in our cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, were fixed.

Other income and gain

Other income and gain remained relatively stable at RMB16,000 and RMB26,000 for FY2016 and FY2017, respectively.

Selling and distribution costs

Our selling and distribution costs decreased by RMB0.1 million from RMB0.6 million for FY2016 to RMB0.5 million for FY2017 primarily due to the decrease in staff costs.

Administrative expenses

Our administrative expenses increased by RMB11.4 million from RMB1.7 million for FY2016 to RMB13.1 million for FY2017 primarily due to Listing expenses of RMB12.0 million recognised during the year.

Other expenses

Our other expenses remained relatively stable at RMB86,000 and RMB14,000 for FY2016 and FY2017, respectively.

Income tax expense

Our income tax expense decreased by RMB0.6 million from RMB1.7 million for FY2016 to RMB1.1 million for FY2017 primarily attributable to certain Listing expenses incurred in the PRC which were deductible for PRC corporate income tax purpose.

The effective tax rate for FY2017 was negative 24.1% mainly because we incurred a net loss during the year, which was primarily due to the Listing expenses recognised. Excluding the Listing expense, the effective tax rate for FY2017 would be 27.9%. The effective tax rate for FY2016 was 31.3%. The effective tax rate was higher than the applicable statutory tax rate of 25.0% mainly due to the non-deductible expenses in relation to depreciation charge and certain operating expense. The effective tax rate for FY2017 was lower than that for FY2016 mainly because the non-deductible expenses in relation to the depreciation charge were relatively stable, while the profit before tax excluding Listing expenses increased.

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Result for the year

As a result of the foregoing, our result for the year amounted to profit of RMB3.8 million for FY2016 and loss of RMB5.4 million for FY2017. Net profit margin decreased by 14.2 percentage points from 6.0% for FY2016 to negative 8.2% for FY2017 due to the Listing expenses of RMB12.0 million recognised during the year. Excluding the one-off Listing expenses, our net profit would increase by RMB2.7 million from RMB3.9 million for FY2016 to RMB6.6 million for FY2017 primarily due to the increase in our revenue and gross profit, whereas our net profit margin would increase by 3.8 percentage points from 6.2% for FY2016 to 10.0% for FY2017 primarily due to the increase in our gross profit margin.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue decreased by RMB20.3 million or 24.2% from RMB84.0 million for FY2015 to RMB63.7 million for FY2016 as a result of the decrease in revenue from both retail operation and wholesale business.

Our revenue from retail operation decreased by RMB4.8 million or 11.2% from RMB42.8 million for FY2015 to RMB38.0 million for FY2016 primarily due to the decrease in our average selling price of CNG, which was partly offset by the increase in sales volume to buses, taxis and private vehicles. Our revenue from wholesale business decreased by RMB15.5 million or 37.4% from RMB41.4 million for FY2015 to RMB25.9 million for FY2016 primarily due to the decrease in our average selling price and sales volume of CNG.

Cost of sales

Our cost of sales decreased by RMB16.7 million or 23.0% from RMB72.5 million for FY2015 to RMB55.8 million for FY2016 mainly due to the decrease in cost of inventories sold by RMB15.4 million or 25.8% from RMB59.6 million for FY2015 to RMB44.2 million for FY2016, primarily due to the (i) decrease in purchase volume of natural gas, which was in line with the decrease in total sales volume of CNG; and (ii) decrease in average purchase price of natural gas, as a result of the decrease in the gateway station price of natural gas.

Gross profit

As a result of the foregoing, our gross profit decreased by RMB3.6 million from RMB11.5 million for FY2015 to RMB7.9 million for FY2016. Gross profit margin decreased by 1.3 percentage point from 13.7% for FY2015 to 12.4% for FY2016. Such decrease was mainly resulted from the decrease in our revenue, while certain fixed costs included in our cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, were fixed.

Other income and gain

Other income and gain decreased from RMB957,000 for FY2015 to RMB16,000 for FY2016 because during FY2015, we recorded a one-off gain of RMB951,000 on the disposal of a subsidiary.

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Selling and distribution costs

Our selling and distribution costs decreased by RMB0.6 million from RMB1.2 million for FY2015 to RMB0.6 million for FY2016 primarily due to the decrease in staff costs and we incurred RMB0.3 million during FY2015 for signage installed at our gas refuelling station to promote our brand.

Administrative expenses

Our administrative expenses decreased by RMB0.4 million from RMB2.1 million for FY2015 to RMB1.7 million for FY2016 primarily due to the decreases in staff costs and rental expenses, and one-off accounting and finance consultation fee of RMB0.2 million paid to an international accounting firm during FY2015 to enhance our accounting and internal control policies.

Other expenses

Our other expenses decreased by RMB0.5 million from RMB0.6 million for FY2015 to RMB86,000 for FY2016 because during FY2015, we recorded product quality fine for moisture content and late charge for VAT in relation to late filing of VAT return. The late charge for VAT and the relevant taxes had been fully settled as at the Latest Practicable Date.

Income tax expense

Our income tax expense decreased by RMB0.8 million from RMB2.5 million for FY2015 to RMB1.7 million for FY2016 primarily attributable to our decreased taxable income. Our effective tax rate was 29.5% and 31.3% for FY2015 and FY2016, respectively. Our effective tax rate was higher than the applicable statutory tax rate of 25% mainly due to the non-deductible expenses in relation to depreciation charge and certain operating expenses. The effective tax rate for FY2016 was higher than that for FY2015 mainly because the non-deductible expenses in relation to the depreciation charge were relatively stable, while the profit before tax excluding Listing expenses decreased.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB2.2 million or 36.7% from RMB6.0 million for FY2015 to RMB3.8 million for FY2016. Net profit margin decreased by 1.2 percentage points from 7.2% for FY2015 to 6.0% for FY2016, which was in line with our decrease in gross profit margin.

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LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/Liabilities

We recorded net current liabilities of RMB33.5 million and RMB22.9 million as at 31 December 2015 and 2016, respectively, and net current assets of RMB6.5 million and RMB8.3 million as at 31 December 2017 and 31 March 2018, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	25	41	42	42
Trade receivables	3,893	5,659	6,172	10,724
Prepayments, deposits and other receivables	6,110	8,271	8,081	8,207
Due from directors	748	1,066	–	–
Cash and cash equivalents	6,323	7,684	2,797	236
	<u>17,099</u>	<u>22,721</u>	<u>17,092</u>	<u>19,209</u>
Current liabilities				
Advance from customers, other payables and accruals	8,513	5,047	8,265	8,159
Due to directors	35,267	33,985	218	–
Due to a related party	4,252	4,545	–	–
Tax payable	2,602	2,033	2,115	2,724
	<u>50,634</u>	<u>45,610</u>	<u>10,598</u>	<u>10,833</u>
 Net current assets/(liabilities)	 <u>(33,535)</u>	 <u>(22,889)</u>	 <u>6,494</u>	 <u>8,326</u>

Our net current liabilities of RMB33.5 million and RMB22.9 million as at 31 December 2015 and 2016, respectively, mainly because of the amounts due to directors and an amount due to a related party, mainly representing the (i) aggregate consideration of HK\$17.5 million arising from the transfer of shareholding in Tonglin Gas from the then shareholders to Hesheng in 2015; and (ii) short-term advance from a director for our capital expenditure on the constructions of our gas refuelling stations, which were repayable on demand and classified as current liabilities, both of which were fully settled as at 29 January 2018.

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Our financial position turned around from net current liabilities of RMB22.9 million as at 31 December 2016 to net current assets of RMB6.5 million as at 31 December 2017 mainly attributable to the settlement of the amounts due to directors and a related party.

Our net current assets increased from RMB6.5 million as at 31 December 2017 to RMB8.3 million as at 31 March 2018 mainly due to the increase in trade receivables.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

We do not maintain inventory. Our inventories mainly represent natural gas which remains in our pipelines at the end of the reporting period. Our balance of inventories remained stable at a low level of RMB25,000, RMB41,000 and RMB42,000 as at 31 December 2015, 2016 and 2017, respectively.

Trade receivables

Our trade receivables primarily consist of receivables from Jingzhou Public Transport and wholesale customers.

Our trade receivables increased by RMB1.8 million or 46.2% from RMB3.9 million as at 31 December 2015 to RMB5.7 million as at 31 December 2016. Increase in trade receivables, despite the decrease in revenue, was mainly due to early settlement from a major customer prior to 31 December 2015. Our trade receivables increased by RMB0.5 million or 8.8% from RMB5.7 million as at 31 December 2016 to RMB6.2 million as at 31 December 2017, which was in line with the increase in our sales to wholesale customers.

Our Group's trading terms with our wholesale customers are mainly on credit, whereas we mainly receive cash from our retail customers. The credit period is generally one month, and subject to management approval, may extend up to three months for major customers. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by our senior management. Our Group does not hold any collateral or other credit enhancements over our trade receivable balances. Our trade receivables are non-interest-bearing.

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The following table sets forth the aging analysis of our trade receivables that were neither individually nor collectively considered to be impaired as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	1,976	3,613	4,519
Less than 3 months past due	1,473	1,630	1,333
Over 3 months past due	444	416	320
	<u>3,893</u>	<u>5,659</u>	<u>6,172</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that has a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Our policy for impairment of trade receivables is based on ongoing assessment of the recoverability of trade receivables. The identification of impairment requires our management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade receivables and the impairment loss in the period in which such estimate has been changed.

As at the Latest Practicable Date, RMB6.0 million or 97.4% of our trade receivables outstanding as at 31 December 2017 were settled.

The table below sets forth a summary of average turnover days of trade receivables for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
Average turnover days of trade receivables ⁽¹⁾	<u>18.0</u>	<u>27.4</u>	<u>32.9</u>

Note:

- (1) Average turnover days of trade receivables is derived from dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue and multiplying by 365 days or 366 days, where appropriate.

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Our average turnover days of trade receivables increased from 18.0 days for FY2015 to 27.4 days for FY2016 as a result of early settlement from a major customer prior to 31 December 2015. Our average turnover days of trade receivables increased to 32.9 days for FY2017 mainly due to the increase in our sales to wholesale customers.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables as at 31 December 2015, 2016 and 2017 were RMB6.1 million, RMB8.3 million and RMB8.1 million, respectively. The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Prepayments	3,902	4,304	3,966
Prepaid Listing expenses	320	2,029	3,520
Deposits and other receivables	1,514	1,524	520
Prepaid land lease payment	39	39	39
Others	335	375	36
	<u>6,110</u>	<u>8,271</u>	<u>8,081</u>

Our prepayments mainly related to purchase of natural gas from our sole supplier, PetroChina during the Track Record Period. Pursuant to the Master Supply Agreement entered into by our Group and PetroChina, we are required to make prepayment monthly for the estimated quantity of natural gas to be ordered in the upcoming month.

Our deposits and other receivables mainly represented utility deposits and an advance to Tongxing prior to its disposal of RMB0.8 million, which was repaid by Tongxing prior to 31 December 2017, leading to the decrease in balance from RMB1.5 million as at 31 December 2016 to RMB0.5 million as at 31 December 2017.

Balances with directors and a related party

Our amounts due from directors amounted to RMB0.7 million, RMB1.1 million and nil as at 31 December 2015, 2016 and 2017, respectively. These amounts were settled as at 31 December 2017.

Our amounts due to directors amounted to RMB35.3 million, RMB34.0 million and RMB0.2 million as at 31 December 2015, 2016 and 2017, respectively. Our amount due to a related party amounted to RMB4.3 million, RMB4.5 million and nil as at 31 December 2015, 2016 and 2017, respectively.

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Our amounts due to directors and an amount due to a related party mainly represented the (i) aggregate consideration of HK\$17.5 million arising from the transfer of shareholding in Tonglin Gas from the then shareholders to Hesheng in 2015; and (ii) short-term advance from a director for our capital expenditure on the constructions of our gas refuelling stations both of which were fully settled as at 29 January 2018.

Our balances with directors and related party are unsecured, interest-free and repayable on demand. For further details of related party transactions and balances, please see “Accountants’ Report – Notes 25(a), 25(b) and 25(c)” in Appendix I to this prospectus.

Advance from customers, other payables and accruals

Our advance from customers, other payables and accruals as at 31 December 2015, 2016 and 2017 were RMB8.5 million, RMB5.0 million and RMB8.3 million, respectively. The following table sets forth the breakdown of our advance from customers, other payables and accruals as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Accrued liabilities	327	93	3,502
Other taxes payable	3,281	1,520	1,321
Advances from customers	522	479	989
Accrued payroll	1,897	1,530	946
Payable for purchase of property, plant and equipment	2,278	1,235	885
Other payables	208	190	622
	8,513	5,047	8,265

Accrued liabilities mainly represented accrued Listing expenses of nil, nil and RMB3.5 million as at 31 December 2015, 2016 and 2017, respectively. Our accrued liabilities also included accounting and finance consultation fee payable and VAT late charges. Other taxes payable mainly represent VAT and VAT surcharges payable. Advances from customers mainly arises from the pre-paid cards of our retail customers and the monthly advanced payment of our wholesale customers. Payable for purchase of property, plant and equipment arises from the construction of our gas refuelling stations.

The amount decreased by RMB3.5 million from RMB8.5 million as at 31 December 2015 to RMB5.0 million as at 31 December 2016 mainly due to (i) the decrease of payable for purchase of property, plant and equipment as a result of the settlement made during FY2016; and (ii) the decrease of other taxes payable attributed to the payment of VAT in relation to certain late filing of VAT return. The late charge for VAT and the relevant taxes had been fully settled as at the Latest Practicable Date.

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The amount increased by RMB3.3 million from RMB5.0 million as at 31 December 2016 to RMB8.3 million as at 31 December 2017 mainly due to the increase in accrued liabilities relating to our Listing expenses by RMB3.5 million.

CASH FLOWS

We finance our liquidity requirements primarily through cash flows generated from operating activities and advances from Directors. Our primary uses of cash are for our operating activities and capital expenditures on property, plant and equipment for our continuous business expansion, and repayment to directors. The following table sets forth a summary of our cash flows information for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	18,381	196	4,146
Net cash flows used in investing activities	(1,663)	(557)	(751)
Net cash flows from/(used in) financing activities	(10,963)	1,460	(7,977)
Net increase/(decrease) in cash and cash equivalents	5,755	1,099	(4,582)
Cash and cash equivalents at beginning of year	568	6,323	7,684
Effect of foreign exchange rate changes, net	—	262	(305)
Cash and cash equivalents at end of year	<u>6,323</u>	<u>7,684</u>	<u>2,797</u>

Operating activities

During our Track Record Period, our cash inflows from operating activities was principally from the receipt of sales. Our cash outflows used in operating activities was principally for procurement and payment of other operating expenses.

For FY2017, our Group had net cash flows from operating activities of RMB4.1 million and cash flows from operating activities before changes in working capital of negative RMB0.3 million. The difference of RMB4.4 million mainly represented (i) decrease in prepayments, deposits and other receivables of RMB3.2 million, mainly as a result of the decrease in prepayment for purchase of natural gas and repayment from Tongxing; and (ii) increase in advance from customers, other payables and accruals of RMB2.7 million, which was mainly

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due to the accrued Listing expenses of RMB3.5 million, which were partly offset by (i) income tax paid of RMB1.0 million; and (ii) increase in trade receivables of RMB0.5 million, which was in line with the increase in our sales to wholesale customers.

For FY2016, our Group had net cash flows from operating activities of RMB0.2 million and cash flows from operating activities before changes in working capital of RMB9.5 million. The difference of negative RMB9.3 million mainly represented (i) decrease in advance from customers, other payables and accruals of RMB3.5 million, mainly as a result of the settlement of payable for purchase of property, plant and equipment made during FY2016; (ii) income tax paid of RMB2.3 million; (iii) increase in trade receivables of RMB1.8 million, which was mainly due to early settlement from a major customer prior to 31 December 2015; and (iv) increase in prepayments, deposits and other receivables of RMB1.7 million, mainly as a result of the prepayment of Listing expenses.

For FY2015, our Group had net cash flows from operating activities of RMB18.4 million and cash flows from operating activities before changes in working capital of RMB11.4 million. The difference of RMB7.0 million mainly represented (i) increase in amounts due to directors of RMB9.6 million to support the operations of our gas refuelling stations and expansion of our business; and (ii) increase in advance from customers, other payables and accruals of RMB2.5 million; which was partly offset by (iii) increase in prepayments, deposits and other receivables of RMB5.1 million.

Investing activities

For FY2015, our cash inflows from an investing activity was proceeds from disposal of a subsidiary of RMB0.7 million. For FY2015, FY2016 and FY2017, our cash outflows used in investing activities of RMB2.3 million, RMB0.6 million and RMB0.8 million, respectively, related to purchases of items of property, plant and equipment for enhancing our gas refuelling stations.

Financing activities

During the Track Record Period, our cash inflows from financing activities was from (i) proceeds from issue of shares by our Company and a subsidiary; and (ii) loan from directors. Our cash outflows used in financing activities was for (i) repayment of amounts due to directors and a related party; (ii) repayment of short-term advances from the directors; and (iii) payment for deferred Listing expenses.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, which is primarily our internal resources, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

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Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds" in this prospectus.

INDEBTEDNESS

During the Track Record Period and up to the latest practicable date for the purpose of this indebtedness statement, being 31 March 2018, we did not have any interest-bearing borrowings nor bank borrowings.

Contingent liabilities

As at 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Apart from intra-group liabilities, as at the Latest Practicable Date, our Group did not have outstanding loans, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities. In August 2017, we obtained a letter of intent for provision of banking facilities amounting to RMB10.0 million from Hubei Bank Corporation Limited, which is legally binding, for construction of new station. As at the Latest Practicable Date, we have not drawn down any bank loans.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of each reporting period during the Track Record Period, our Group had commitments for future minimum lease payments in relation to three of our substations and our office premise under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within one year	1,724	1,650	1,818
In the second to third years, inclusive	3,300	3,300	3,365
After three years	11,550	9,900	8,250
	<u>16,574</u>	<u>14,850</u>	<u>13,433</u>

Capital commitments

As at 31 December 2015, 2016 and 2017, our Group had capital commitments in relation to plant and machinery of RMB50,000, nil and nil. During the Track Record Period, there has no material change to our indebtedness and capital commitments.

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CAPITAL EXPENDITURES

Our Group's capital expenditures principally consist of expenditures on acquisitions of property, plant and equipment for our operations. During the Track Record Period, our Group incurred capital expenditures of RMB2.7 million, RMB0.5 million and RMB0.1 million for FY2015, FY2016 and FY2017, respectively, majority of which came from buildings, and plant and machinery for enhancing our gas refuelling stations. Since 31 December 2017 and up to the Latest Practicable Date, we did not have any material capital expenditures.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please see "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Share Offer and cash generated from our operation. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	Year ended 31 December		
	2015	2016	2017
Gross profit margin ⁽¹⁾	13.7%	12.4%	14.1%
Net profit margin ⁽²⁾	7.2%	6.0%	(8.2)%
Return on equity ⁽³⁾	63.3%	42.6%	(21.4)%
Return on total assets ⁽⁴⁾	10.6%	6.7%	(10.1)%

	As at 31 December		
	2015	2016	2017
Current ratio ⁽⁵⁾	<u>0.3</u>	<u>0.5</u>	<u>1.6</u>

Notes:

- (1) Gross profit margin for each of FY2015, FY2016 and FY2017 was calculated on gross profit divided by revenue for the respective year. Please see "Review of Historical Results of Operations" in this section for more details on our gross profit margins.
- (2) Net profit margin for each of FY2015, FY2016 and FY2017 was calculated on profit/(loss) for the year divided by revenue for the respective year. Please see "Review of Historical Results of Operations" in this section for more details on our net profit margins.
- (3) Return on equity for each of FY2015, FY2016 and FY2017 was calculated based on the net profit/(loss) of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

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- (4) Return on total assets for each of FY2015, FY2016 and FY2017 was calculated based on the net profit/(loss) of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Current ratios as at 31 December 2015, 2016 and 2017 were calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

Return on equity

Our return on equity decreased from 63.3% for FY2015 to 42.6% for FY2016 mainly due to the decrease in our net profit and the increase in our equity mainly as a result of the issue of shares by a subsidiary and profit generated from our operation.

Our return on equity further decreased from 42.6% for FY2016 to negative 21.4% for FY2017 mainly due to our net loss incurred for the year as a result of our one-off Listing expenses incurred. Excluding our Listing expenses, our return on equity decreased from 44.3% for FY2016 to 25.9% for FY2017, mainly due to the increase in our equity as a result of the share issue by a subsidiary and the capitalisation of existing shareholder's loan for settlement of amounts due to directors.

Return on total assets

Our return on total assets decreased from 10.6% for FY2015 to 6.7% for FY2016 primarily attributable to the decrease in our net profit.

Our return on total assets further decreased from 6.7% for FY2016 to negative 10.1% for FY2017 mainly due to our net loss incurred for the year as a result of the Listing expenses. Excluding our Listing expenses, our return on total assets increased from 6.9% for FY2016 to 12.3% for FY2017, mainly due to the tax shield arisen from net loss during the year.

Current ratio

Our current ratio remained relatively stable at 0.3 and 0.5 as at 31 December 2015 and 2016, respectively. Our current ratio increased to 1.6 as at 31 December 2017 because our financial position turned around from net current liabilities of RMB22.9 million as at 31 December 2016 to net current assets of RMB6.5 million as at 31 December 2017 mainly attributable to the settlement of the amounts due to directors and a related party.

LISTING EXPENSES

Assuming an Offer Price of HK\$0.44 per Share, being the mid-point of the indicative Offer Price range of HK\$0.40 to HK\$0.48 per Share, the total estimated Listing expenses in connection with the Share Offer (including underwriting commission) was approximately HK\$30.5 million.

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For FY2015, FY2016 and FY2017, Listing expenses of nil, HK\$0.2 million and HK\$15.0 million, respectively, were fully charged to our profit or loss. For FY2018, we estimate that the Listing expenses of HK\$5.2 million will be charged to profit or loss and HK\$10.1 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. Our financial performance for FY2018 would be affected by the one-off Listing expenses.

OFF-BALANCE SHEET ARRANGEMENT

Our Directors confirm that there has been no material off-balance sheet arrangement since 31 December 2017 to the date of this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market, such as credit and liquidity risks.

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position of our Group.

In order to minimise the credit risk, our Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, our Directors review the recoverable amount of each material individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

Our Group does not have concentration of credit risk in relation to its trade receivables. Our Group keeps exploring new customers to diversify and strengthen our customer base to reduce the concentration of credit risk.

Our Directors consider that the credit risk on an amount due from a director is limited because they regularly monitor the financial position of this related party through involvement in their management and operations. In addition, advances are only made to related parties having a good financial standing.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and amounts due from a director, our Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

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Liquidity risk

Ultimate responsibility for liquidity risk management rests with our management, which has built an appropriate liquidity risk management framework for the management of our Group's short, medium and long-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of the maturity profile of our financial liabilities are set out in "Accountants' Report – Note 28" in Appendix I to this prospectus.

DIVIDENDS

No dividends has been paid or declared by our Group during the Track Record Period and up to the Latest Practicable Date. We do not have a fixed dividend policy. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Articles of Association, the Cayman Islands laws and any applicable laws and regulations. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividend, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 March 2017 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

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PROPERTY INTERESTS AND PROPERTY VALUATION

AVISTA Valuation Advisory Limited, an independent property valuer, has valued our property interests held and occupied by our Group in the PRC as at 31 March 2018 and is of the opinion that the market value as at such date was RMB11.0 million. The texts of its letter, summary of values and valuation certificates are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of the net book value of buildings and prepaid land lease payments of our Group as selected from our audited consolidated financial information as at 31 December 2017 as sets forth in Appendix I to this prospectus with the valuation of property interests held and occupied by our Group as at 31 March 2018 as set forth in Appendix III to this prospectus:

	<i>RMB'000</i>
Net book value of buildings and prepaid land lease payments as at 31 December 2017 as sets out in the Accountants' Report in Appendix I to this prospectus	17,349
Less: net book value of properties on rented land that were occupied by our Group with no commercial value attributable to our Group as at 31 December 2017	<u>(7,736)</u>
Net book value of property interests held and occupied by our Group as at 31 December 2017	9,613
Less: depreciation and amortisation for the three months ended 31 March 2018	<u>(157)</u>
Net book value of property interests held and occupied by our Group as at 31 March 2018	9,456
Valuation of property interests held and occupied by our Group as at 31 March 2018 as sets out in the Property Valuation Report in Appendix III to this prospectus	<u>11,014</u>
Net valuation surplus	<u><u>1,558</u></u>

As at 31 December 2017, the property interest forming part of our Group's non-property activities had a carrying amount of 15% or more of our total assets. This prospectus is in compliance with the requirements of Rule 8.01B of the GEM Listing Rules and the requirements of section 342(1) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, with respect to the inclusion of a property valuation report in this prospectus. Please see Appendix III of this prospectus for the Property Valuation Report.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group have been prepared in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for

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inclusion in Investment Circulars” issued by HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Share Offer on the consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Share Offer been completed as at 31 December 2017 or any future date.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	HK\$
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>equivalent</i> <i>(Note 4)</i>
Based on an Offer					
Price of HK\$0.40					
per Share	38,213	28,042	66,255	0.13	0.17
Based on an Offer					
Price of HK\$0.48					
per Share	38,213	35,495	73,708	0.15	0.18

Notes:

- (1) The consolidated net tangible assets attributable to owners of our Company as at 31 December 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.40 per Share or HK\$0.48 per Share, after deduction of the underwriting fees and related expenses payable by our Company (excluding Listing expense of RMB12.1 million which have been charge to profit or loss prior to 31 December 2017) and without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share is converted into Hong Kong dollars at the People's Bank of China rate of HK\$1.00 to RMB0.8014.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

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RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

To the best information and knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition of the natural gas market which would materially affect the operation or performance of our principal business. As at the Latest Practicable Date, the CNG selling price for our retail customers and our key wholesale customers ranged from RMB2.50/m³ to RMB2.92/m³ and from RMB2.00/m³ to RMB2.42/m³, respectively, while our natural gas purchase price was RMB1.68/m³. For the three months ended 31 March 2018, the sales volume for our retail and wholesale customers amounted to 3.0 million m³ and 4.1 million m³, respectively.

Our Directors confirmed that, up to the date of the Prospectus, save for the impact of Listing expenses, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 31 December 2017, being the end of the period reported in the Accountants' Report set out in Appendix I to this prospectus, and there has been no event since 31 December 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTMENTS

On 3 May 2018, we have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with CIS Securities Asset Management Limited (順安證券資產管理有限公司) (“**CIS**”) and Mr. Liu Chao (劉超) (“**Mr. Liu**”) (collectively the “**Cornerstone Investors**”, each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe for, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 10,000 Shares) that may be subscribed for an aggregate amount of approximately HK\$10.0 million, with each Cornerstone Investor subscribing an aggregate amount of approximately HK\$5.0 million. The Offer Shares to be subscribed by the Cornerstone Investors shall rank *pari passu* in all respects with the existing issued Shares and will form part of the Share Offer. Assuming an Offer Price of HK\$0.48 (being the high-end of the Offer Price range as set out in this prospectus), HK\$0.44 (being the mid-point of the Offer Price range as set out in this prospectus) and HK\$0.40 (being the low-end of the Offer Price range as set out in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 20,820,000 Shares, 22,720,000 Shares and 25,000,000 Shares, representing approximately 4.2%, 4.6% and 5.0% of our issued share capital immediately after completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

Each of the Cornerstone Investors and its respective ultimate beneficial owners of CIS is an Independent Third Party, is not our connected person and not an existing Shareholder or their close associate. The Cornerstone Investors will not subscribe for any Offer Shares under the Share Offer other than and pursuant to the Cornerstone Investment Agreements. Immediately following completion of the Share Offer, the Cornerstone Investors will not have any board representation in our Company nor will any of the Cornerstone Investors become a substantial shareholder of our Company. The shareholding of the Cornerstone Investors will be counted towards the public float of our Shares.

The cornerstone investments form part of the Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will not be subject to adjustment by any reallocation of Offer Shares between the Placing and the Public Offer in the event of over-subscription in the Public Offer as described in the sub-section headed “Structure and Conditions of the Share Offer – The Share Offer” in this prospectus. Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results to be published on or about 17 May 2018.

OUR CORNERSTONE INVESTORS**CIS Securities Asset Management Limited**

CIS has agreed to subscribe for, at the Offer Price, such number of Shares (rounded down to the nearest whole board lot of 10,000 Shares) that may be subscribed for an aggregate amount of approximately HK\$5.0 million. Assuming an Offer Price of HK\$0.48 (being the high-end of the Offer Price range as set out in this prospectus), HK\$0.44 (being the mid-point of the Offer Price range as set out in this prospectus) and HK\$0.40 (being the low-end of the Offer Price range as set out in this prospectus), the total number of Shares to be subscribed for by CIS would be 10,410,000 Shares, 11,360,000 Shares and 12,500,000 Shares, representing approximately 2.1%, 2.3% and 2.5% of our issued share capital immediately after completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

CIS is a limited liability company incorporated in Hong Kong in February 2007 which offers trading services for securities, futures and options. CIS is registered in the Stock Exchange as an Exchange Participant and also a licenced corporation under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Mr. Liu Chao

Mr. Liu has agreed to subscribe for, at the Offer Price, such number of Shares (rounded down to the nearest whole board lot of 10,000 Shares) that may be subscribed for an aggregate amount of approximately HK\$5.0 million. Assuming an Offer Price of HK\$0.48 (being the high-end of the Offer Price range as set out in this prospectus), HK\$0.44 (being the mid-point of the Offer Price range as set out in this prospectus) and HK\$0.40 (being the low-end of the Offer Price range as set out in this prospectus), the total number of Shares to be subscribed for by Mr. Liu would be 10,410,000 Shares, 11,360,000 Shares and 12,500,000 Shares, representing approximately 2.1%, 2.3% and 2.5% of our issued share capital immediately after completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

Mr. Liu is a PRC resident and has extensive experience in the transportation and logistics industry. Mr. Liu has been a director and legal representative of Yantai Langyue Shengheda Transportation Company Limited* (煙台朗越晟和達運輸有限公司) and Yantai Zhongyuan Zhuoda Freight Agent Company Limited* (煙台中原卓達貨運代理有限公司) since September 2009 and February 2017, respectively. Mr. Liu has had relevant experience in investing in a number of companies which are listed on the Stock Exchange.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investors is subject to, among other things, the following conditions precedent being satisfied or waived in accordance with the terms of the Cornerstone Investment Agreements:

- (a) the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting agreements;
- (b) neither the Placing Underwriting Agreement nor the Public Offer Underwriting Agreement having been terminated;
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and that such approval having not been revoked;
- (d) that no laws shall have been enacted or promulgated which prohibit or shall prohibit the consummation of the transactions contemplated under the Public Offer, the Placing or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) that the respective representations, warranties, undertakings and confirmations given by the Cornerstone Investors and our Company as set out in the Cornerstone Investment Agreements are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Subject to applicable laws and regulations, each of the Cornerstone Investors has undertaken to our Company and the Joint Bookrunners that, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date, in any way dispose of any Shares or any interest in any company or entity holding any Shares, nor will it agree or contract to, or publicly announce any intention to enter into any such transaction described above pursuant to the Cornerstone Investment Agreements.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

We aim to expand our business to maintain and strengthen our market position by pursuing the following strategies:

- expand our gas refuelling station network to enlarge our customer base;
- install new facilities at our Jingzhou Primary Station; and
- strengthen our marketing and promotion strategies.

For details of our objectives and strategies, please see “Business – Our Business Strategies” for details.

IMPLEMENTATION PLAN

In pursuance of our business objectives, the implementation plans of our Group are set forth below for each of the six-month periods until 31 December 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to “Bases and Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in “Risk Factors” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

	Expanding gas station network by constructing one CNG refuelling station	Expanding gas station network by constructing one combined CNG/LNG refuelling station	Upgrading infrastructure and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity
For the period from the Latest Practicable Date to 30 June 2018	<ul style="list-style-type: none"> Obtaining quotations for equipment and electricity power system Obtaining proposals/quotations for construction of facility building and renovation Obtaining proposals/quotations from consultants for design of the gas refuelling station Obtaining quotations for compressors, gas cylinders and CNG dispensers Engaging consultant for design of the gas refuelling station Purchasing (i) compressor (1st instalment), (ii) various gas cylinders and (iii) CNG dispensers (1st instalment) Installing equipment and electricity power system Constructing facility building and wall surrounding the gas refuelling station and performing cement work and renovation work on the site Conducting environmental impact assessment 	<ul style="list-style-type: none"> Identifying suitable site for acquisition and for construction of the combined CNG/LNG refuelling station 	<ul style="list-style-type: none"> Obtaining proposals/quotations from consultants for modification design of Jingzhou Primary Station Obtaining quotations for construction of additional facility building Obtaining quotations for relevant equipment
For the period from 1 July 2018 to 31 December 2018		<ul style="list-style-type: none"> Acquiring suitable site (1st instalment) 	<ul style="list-style-type: none"> Engaging consultant for modification design of Jingzhou Primary Station Constructing additional facility building, compressor room and electricity switchboard room Purchasing (i) LNG storage vessels, (ii) cryogenic pumps, (iii) ancillary pipes and valves, (iv) LNG dispensers (1st instalment) and (v) electricity generator (1st instalment)

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 January 2019 to 30 June 2019	Upgrading infrastructure and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity		
	Expanding gas station network by constructing one CNG refuelling station	Expanding gas station network by constructing one combined CNG/LNG refuelling station	
	<ul style="list-style-type: none"> • Purchasing (i) compressor (2nd instalment), (ii) various gas cylinders and (iii) CNG dispensers (2nd instalment) • Continue to install (i) purchased equipment, (ii) electricity power system, (iii) security system and (iv) gas leakage alert system • Continue to construct facility building and performing cement work and renovation work on the site • Conducting inspection on the construction work 	<ul style="list-style-type: none"> • Constructing wall surrounding the gas refuelling station • Acquiring suitable site (2nd instalment) 	<ul style="list-style-type: none"> • Purchasing (i) LNG storage vessels, (ii) control panels, (iii) ancillary pipes and valves; (iv) LNG dispensers (2nd instalment); and (v) electricity generator (2nd instalment)

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 July 2019 to 31 December 2019	Upgrading infrastructure and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity		
	Expanding gas station network by constructing one CNG refuelling station	Expanding gas station network by constructing one combined CNG/LNG refuelling station	
	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Engaging consultant for design of the gas refuelling station • Constructing facility building and performing cement work and renovation work on the site • Conducting environmental impact assessment • Purchasing (i) LNG storage vessels, (ii) cryogenic pumps (1st instalment), (iii) ancillary pipes and valves, (iv) LNG dispensers (1st instalment), (v) control panel (1st instalment), (vi) compressor (1st instalment), (vii) various gas cylinders; and (viii) CNG dispensers (1st instalment) • Installing (i) purchased equipment, (ii) electricity power system, (iii) security system and (iv) gas leakage alert system • Conducting inspection on the construction work 	<ul style="list-style-type: none"> • Purchasing (i) two tanker trucks and (ii) compressor

FUTURE PLANS AND USE OF PROCEEDS

Expansion of gas station network

When implementing our plan, we will first identify a potential site for the new combined CNG/LNG refuelling station and then conduct feasibility studies and make a detailed assessment on the business potential on such site, taking in account a number of factors, including:

- whether it is in line with our strategies to expand the geographical coverage of our natural gas business and customer base in our target districts;
- traffic flow of CNG and LNG vehicles in the vicinity of each of the new gas refuelling station and population density;
- the competitive landscape of our target market, including the projected growth in the number of CNG or LNG vehicles and population, the future development trend and speed of development of our target districts and surrounding regions and the consumption patterns of the potential customers of CNG and LNG in our target districts;
- customer accessibility including proximity to bus stations and bus terminals;
- the estimated capital expenditure, breakeven and investment payback periods in respect of the new gas refuelling station;
- the geographical coverage of the new gas refuelling station and the proximity of the same to our other existing gas refuelling stations;
- proximity and performance of competitors in the surrounding area;
- the availability of land resources and suitable location for the construction of the new gas refuelling station;
- site characteristics and suitability with the specifications of our building plans; and
- any entry barrier to operating a new gas refuelling station in the region such as licensing requirements.

The new combined CNG/LNG refuelling station and the installation of new LNG-related facilities at our Jingzhou Primary Station are currently under the urban infrastructure design plan of Jingzhou, Hubei Province, promulgated by Jingzhou Urban Infrastructure Steering Committee (荊州市城市建設項目領導小組). To manage potential competition among our gas refuelling stations situated within the same city, we will take into account the distance between our gas refuelling stations when identifying and acquiring potential site for our new combined CNG/LNG refuelling stations in Jingzhou, Hubei Province. The distance varies according to the geographical environment and traffic condition of the target districts.

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Share Offer will be completed in accordance with and as described in “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;
- there will be no significant changes in our Group’s business relationships with our major customers;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under “Risk Factors” in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer), assuming an Offer Price of HK\$0.44 per Share, being the mid-point of the indicative Offer Price range of HK\$0.40 to HK\$0.48 per Share, will be HK\$24.5 million. We currently intend to apply the net proceeds from the Share Offer in the following manner:

FUTURE PLANS AND USE OF PROCEEDS

- (a) approximately 54.2%, or HK\$13.3 million, will be used for investing in the construction of two gas refuelling stations at Jingzhou, Hubei Province including (i) construction and renovation of gas stations (approximately 15.9%), (ii) machinery and equipment (approximately 7.1%) and (iii) miscellaneous costs incurred for constructing our two new gas refuelling stations;
- (b) approximately 35.8%, or HK\$8.8 million, will be used for upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity;
- (c) approximately 10.0%, or HK\$2.4 million, will be used as working capital and other general corporate purposes.

For the period from the Latest Practicable Date to 31 December 2019, our net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 30 June 2018 HK\$'000	For the six months ending			Approximate % of the total net proceeds	
	31 December 2018 HK\$'000	30 June 2019 HK\$'000	31 December 2019 HK\$'000	Total HK\$'000		
Expanding gas station network by constructing one CNG refuelling station	Nil	2,429	2,783	Nil	5,212	21.3%
Expanding gas station network by constructing one combined CNG/LNG refuelling station	Nil	1,248	6,358	460	8,066	32.9%
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	Nil	3,494	5,278	Nil	8,772	35.8%
Working capital and other general corporate purposes	613	613	612	612	2,450	10.0%
Total:	613	7,784	15,031	1,072	24,500	100.0%

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.48 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$4.7 million. We intend to apply the additional net proceeds for the new combined CNG/LNG refuelling station. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.40 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$4.7 million. We intend to reduce the net proceeds for the new combined CNG/LNG refuelling station.

We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Share Offer.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong and/or the PRC. Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in "Implementation Plan" in this section.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under "Implementation Plan" in this section of this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

We will issue an appropriate announcement if there is any material change in the aforementioned use of proceeds.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

The followings are our main purposes for seeking the Listing:

- providing a platform for our Group to access the capital markets for future secondary fund-raising through the issuance of shares and for debt securities, which could involve lower financing costs as opposed to interest-bearing bank loans, and which can also provide funding sources to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- broadening our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the Listing;
- enhancing our corporate profile, visibility and our market presence to generate reassurance among our clients and suppliers. By way of the Listing, we can elevate our corporate image and status and provide reassurance and confidence to our clients and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our clients and suppliers. Furthermore, with a more established corporate image, it will enable us to take on projects of greater size;
- enhancing our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control, operating systems and risk management; and
- enhancing employee incentive and commitment. Human resources and talents are vital to our business, being a listed company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. Please see "Statutory and General Information – H. Share Option Scheme" in Appendix V to this prospectus for a summary of principal terms of the scheme.

UNDERWRITING

UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Fortune (HK) Securities Limited

Giraffe Capital Limited

Public Offer Underwriters

Fortune (HK) Securities Limited

Giraffe Capital Limited

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The Joint Bookrunners, at their sole and absolute discretion, may, for themselves and on behalf of the other Public Offer Underwriters, upon giving notice in writing to our Company made pursuant to the terms of the Public Offer Underwriting Agreement, terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners that:
 - (i) that any statement contained in any of this prospectus, the Application Forms, formal notice, any supplemental offering materials, announcement, roadshow materials and any other document published or issued by or on behalf of our Company or the Placing Underwriters for the purposes of or in connection with the Placing (collectively, the “**Offer Documents**”), and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to this Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors pursuant to the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
 - (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or

UNDERWRITING

- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties in the Public Offer Underwriting Agreement; or
- (vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Share Offer; or
- (ix) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in “Directors and Senior Management” in this prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters), in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
- (xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) in their sole and absolute opinion to be material; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange;
 - (iv) any new Laws, or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Share Offer (the “**Specific Jurisdictions**”); or
 - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

UNDERWRITING

- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the warrantors under the Public Offer Underwriting Agreement; or
- (x) any of the Directors and senior management members of our Company as set out in “Directors and Senior Management” of this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the GEM Listing Rules, the Companies Ordinance or any other laws applicable to the Share Offer;
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Share Offer with the GEM Listing Rules or any other Laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to the Prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or SFC; or

UNDERWRITING

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERTAKINGS

Undertakings to the Stock Exchange Pursuant to the GEM Listing Rules

By Our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

By our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that, except pursuant to the Share Offer, they will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and the Stock Exchange and to our Company that:

- (a) in the event that he/she/it pledges or charges any direct or indirect interest in the securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan pursuant to Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in securities under paragraph (a) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will inform the Stock Exchange, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, our Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all the requirements in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

By Our Company

We have undertaken to each of the Sole Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to effect any transaction specified in (a), (b) or (c) above,

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in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period).

Our Company has also undertaken that it will not, and will procure each other member of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”).

In the event that, during the Second Six-month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Our Controlling Shareholders have provided the mandatory lock up undertaking in accordance with the GEM Listing Rules, including (a) not to dispose of any Shares in respect of which he/it is shown by this prospectus as the beneficial owner in the six months from Listing Date; and (b) not to cease to be our Controlling Shareholders in the six months from the date on which the period referred to in (a) expires. For details, see “Undertakings – Undertakings to the Stock Exchange pursuant to the GEM Listing Rules – By our Controlling Shareholders” above. Apart from the mandatory lock up undertaking, our Controlling Shareholders have further jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters for a lock up of 18 months after the first six months subsequent to the Listing Date on a voluntary basis.

Each of our Controlling Shareholders has, jointly and severally, and irrevocably undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except in compliance with the requirements under Rule 13.15(5)(a) of the GEM Listing Rules, and such undertaking will not be waived without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), at any time during the Second Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for he/it and the companies controlled by he/it (together, the “**Controlled Entities**”) shall not:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any pledge or charge of our Company’s issued share capital after the consummation of the Share Offer in favour of an authorised institution as defined in the Banking

UNDERWRITING

Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Rule 13.18 of the GEM Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by him/it directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts;

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above, which any of the foregoing transaction referred to in (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Second Six-month Period).

The above voluntary lock-up undertaking is irrevocable and will not be waived.

In addition, at any time during the period of 12 months immediately following the Second Six month Period (the “**Second 12-month Period**”), each of our Controlling Shareholders shall not, and shall procure that the Controlled Entities shall not, enter into any of the foregoing transactions described in (a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following such transaction, he/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company. The above voluntary lock-up undertaking is irrevocable and will not be waived.

Until the expiry of the Second 12-month Period, in the event that any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction within the Second 12-month Period, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market for any Shares or other securities of our Company.

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Each of our Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that within the period from the date by reference to which disclosure of he/it shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when he/it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

PLACING

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement.

Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

UNDERWRITING

COMMISSION AND EXPENSES

The Underwriters are expected to receive an underwriting commission of 7% of the aggregate Offer Price of all the Offer Shares, under which the Underwriters may pay any sub-underwriting or placing commission in connection with the Share Offer. The Sole Sponsor will, in addition, receive a sponsor fee of an amount separately agreed between our Company and the Sole Sponsor. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer are currently estimated to be approximately HK\$30.5 million in aggregate, assuming an Offer Price of HK\$0.44, being the midpoint of the indicative Offer Price range, which will be payable by us.

SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsor fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under “Commission and Expenses” in this section above.

Save as contemplated pursuant to the Underwriting Agreements, none of the Sole Sponsor and the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR'S INDEPENDENCE

Giraffe Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (a) the Public Offer of 12,500,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in “Structure and Conditions of the Share Offer – the Public Offer” below; and
- (b) the Placing of an aggregate of 112,500,000 Placing Shares (subject to reallocation).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25.0% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

PRICING AND ALLOCATION

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Friday, 11 May 2018, and on behalf of the Underwriters and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.48 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.48 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$4,848.37 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.48 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 16 May 2018, the Share Offer will not proceed and will lapse.

Further details are set out in “How to Apply for Public Offer Shares” in this prospectus.

Changes to Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the Stock Exchange’s website at **www.hkexnews.hk** and our Company’s website at **www.tl-cng.com** notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Thursday, 17 May 2018 on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.tl-cng.com**.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on GEM and such approval not having been withdrawn;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (c) the Offer Price having been determined and the execution of the related agreement on or before the Price Determination Date,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at **www.tl-cng.com** and **www.hkexnews.hk** respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Public Offer Shares – 13. Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on Thursday, 17 May 2018 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in “Underwriting – Public Offer Underwriting Arrangements and Expenses – Grounds for termination” has not been exercised at or before that time.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of our Shares will be 8536.

THE PUBLIC OFFER

Our Company is initially offering 12,500,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10.0% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in “Conditions of the Share Offer” of this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 12,500,000 Public Offer Shares, being the 100% of the 12,500,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 37,500,000 Offer Shares, representing 30.0% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 50,000,000 Offer Shares, representing 40.0% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 62,500,000 Offer Shares, representing 50.0% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. With reference to Guidance Letter HKEx-GL91-18, if such reallocation is done other than pursuant to paragraphs (a), (b) or (c) above, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall not be more than double the initial allocation to the Public Offer, i.e. 25,000,000 Offer Shares, representing 20.0% of the number of Offer Shares initially available for subscription under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

PLACING

Number of the Placing Shares

The number of the Offer Shares to be initially offered for subscription under the Placing will be 112,500,000 new Shares representing 90% of the Offer Shares initially available under the Share Offer (subject to re-allocation). Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in "Structure and Conditions of the Share Offer – Pricing and Allocation" in this prospectus, and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DEALING

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 18 May 2018. Our Shares will be traded in board lot of 10,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at **www.hkeipo.hk**; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Bookrunners and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners, the Joint Lead Managers or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are a close associate of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 May 2018 until 12:00 noon on Friday, 11 May 2018 from:

- (a) any of the following address of the Underwriters:

Fortune (HK) Securities Limited	43/F, COSCO Tower 183 Queen's Road Central Hong Kong
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Giraffe Capital Limited	22/F, China Hong Kong Tower, 8-12 Hennessy Road, Hong Kong
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HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) or any of the following sub-branches of The Bank of East Asia, Limited

District	Sub-Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Shauiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 May 2018 until 12:00 noon on Friday, 11 May 2018 from:

- (a) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (b) your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – TL Natural Gas Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the sub-branches of the receiving bank listed above, at the following times:

Tuesday, 8 May 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 9 May 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 10 May 2018 – 9:00 a.m. to 5:00 p.m.
Friday, 11 May 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 11 May 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

By submitting an Application Form, you:

- undertake to execute all relevant documents and instruct and authorise our Company, the Joint Bookrunners, the Sole Sponsor, and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who Can Apply for the Public Offer Shares” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 8 May 2018 until 11:30 a.m. on Friday, 11 May 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 11 May 2018 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic**

HOW TO APPLY FOR PUBLIC OFFER SHARES

application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the Offer Price per Public Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 8 May 2018 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 9 May 2018 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 10 May 2018 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 11 May 2018 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 8 May 2018 until 12:00 noon on Friday, 11 May 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 11 May 2018, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 11 May 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 May 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 11 May 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 17 May 2018 on our Company’s website at **www.tl-cng.com** and (c) the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at **www.tl-cng.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 17 May 2018;
- (b) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 17 May 2018 to 12:00 midnight on Wednesday, 23 May 2018;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 17 May 2018 to Wednesday, 23 May 2018 (excluding Saturday, Sunday and Public Holiday); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 17 May 2018 to Monday, 21 May 2018 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions, such acceptance will be subject to the satisfaction of such conditions.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.48 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 17 May 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully

HOW TO APPLY FOR PUBLIC OFFER SHARES

applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 17 May 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 18 May 2018 provided that the Share Offer has become unconditional and the right of termination described in "Underwriting – Public Offer Underwriting Arrangements and Expenses – Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 17 May 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 17 May 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 17 May 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 17 May 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(ii) If you are applying as a CCASS Investor Participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 May 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 May 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 17 May 2018 by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 17 May 2018 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in "11. Publication of Results" above on Thursday, 17 May 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 May 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 17 May 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an

HOW TO APPLY FOR PUBLIC OFFER SHARES

activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 17 May 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
TL Natural Gas Holdings Limited
Giraffe Capital Limited

Dear Sirs,

We report on the historical financial information of TL Natural Gas Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-5 to I-39, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and the statement of financial position of the Company as at 31 December 2017 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-5 to I-39 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 8 May 2018 (the “Prospectus”) in connection with the initial listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Report on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2015, 2016 and 2017 and of the financial position of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

8 May 2018

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
REVENUE	5	84,003	63,696	65,665
Cost of sales		(72,520)	(55,800)	(56,403)
Gross profit		11,483	7,896	9,262
Other income and gains	5	957	16	26
Selling and distribution expenses		(1,151)	(636)	(523)
Administrative expenses		(2,096)	(1,661)	(13,115)
Other expenses		(616)	(86)	(14)
PROFIT/(LOSS) BEFORE TAX	6	8,577	5,529	(4,364)
Income tax expense	9	(2,528)	(1,733)	(1,053)
PROFIT/(LOSS) FOR THE YEAR		6,049	3,796	(5,417)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		1,028	(749)	606
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		1,028	(749)	606
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		1,028	(749)	606
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,077	3,047	(4,811)
Profit/(loss) attributable to:				
Owners of the parent		5,959	3,796	(5,417)
Non-controlling interests		90	—	—
		6,049	3,796	(5,417)
Total comprehensive income attributable to:				
Owners of the parent		6,987	3,047	(4,811)
Non-controlling interests		90	—	—
		7,077	3,047	(4,811)
Earnings/(loss) per share attributable to ordinary equity holders of the parent				
Basic and diluted	11	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2015	2016	2017
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	12	37,183	33,768	29,847
Prepaid land lease payments	13	1,627	1,588	1,549
Advance payments for property, plant and equipment		—	60	323
Total non-current assets		38,810	35,416	31,719
CURRENT ASSETS				
Inventories	14	25	41	42
Trade receivables	15	3,893	5,659	6,172
Prepayments, deposits and other receivables	16	6,110	8,271	8,081
Due from directors	25(c)	748	1,066	—
Cash and cash equivalents	17	6,323	7,684	2,797
Total current assets		17,099	22,721	17,092
CURRENT LIABILITIES				
Advances from customers, other payables and accruals	18	8,513	5,047	8,265
Due to directors	25(c)	35,267	33,985	218
Due to a related party	25(c)	4,252	4,545	—
Tax payable		2,602	2,033	2,115
Total current liabilities		50,634	45,610	10,598
NET CURRENT ASSETS/(LIABILITIES)		(33,535)	(22,889)	6,494
TOTAL ASSETS LESS CURRENT LIABILITIES		5,275	12,527	38,213
Net assets		5,275	12,527	38,213
EQUITY				
Equity attributable to owners of the parent				
Share capital	19	—	—	886
Reserves	20	5,275	12,527	37,327
Total equity		5,275	12,527	38,213

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							Total equity RMB'000
	Share capital	Capital reserve**	Exchange fluctuation reserve**	Statutory reserve**	Retained profits/ losses)**	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 19)	(note 20)	(note 20)	(note 20)				
At 1 January 2015	–	13,650	–	–	(1,597)	12,053	1,776	13,829
Profit for the year	–	–	–	–	5,959	5,959	90	6,049
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	1,028	–	–	1,028	–	1,028
Total comprehensive income for the year	–	–	1,028	–	5,959	6,987	90	7,077
Acquisition of non-controlling interests*	–	(115)	–	–	–	(115)	(1,926)	(2,041)
Acquisition of equity interests from the controlling shareholders*	–	(13,650)	–	–	–	(13,650)	–	(13,650)
Disposal of a subsidiary (note 21)	–	–	–	–	–	–	60	60
Transfer from retained profits	–	–	–	425	(425)	–	–	–
At 31 December 2015	–	(115)	1,028	425	3,937	5,275	–	5,275
At 1 January 2016	–	(115)	1,028	425	3,937	5,275	–	5,275
Profit for the year	–	–	–	–	3,796	3,796	–	3,796
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	(749)	–	–	(749)	–	(749)
Total comprehensive income for the year	–	–	(749)	–	3,796	3,047	–	3,047
Issue of shares of Hongkong Hesheng International Industrial Limited (“Hesheng”)	–	4,205	–	–	–	4,205	–	4,205
Transfer from retained profits	–	–	–	404	(404)	–	–	–
At 31 December 2016	–	4,090	279	829	7,329	12,527	–	12,527

	Attributable to owners of the parent							
	Share capital	Share premium**	Capital reserve**	Exchange fluctuation reserve**	Statutory reserve**	Retained profits/ (accumulated losses)**	Non-controlling interests	Total equity
	RMB'000 (note 19)	RMB'000 (note 20)	RMB'000 (note 20)	RMB'000 (note 20)	RMB'000 (note 20)	RMB'000	Total RMB'000	RMB'000
At 1 January 2017	-	-	4,090	279	829	7,329	12,527	-
Loss for the year	-	-	-	-	-	(5,417)	(5,417)	-
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	606	-	-	606	-
Total comprehensive income for the year	-	-	-	606	-	(5,417)	(4,811)	-
Acquisition of subsidiaries pursuant to share swap as part of the Reorganisation	-	-	13,260	-	-	-	13,260	-
Issue of shares of the Company	886	16,351	-	-	-	-	17,237	-
Transfer from retained profits	-	-	-	-	231	(231)	-	-
At 31 December 2017	886	16,351	17,350	885	1,060	1,681	38,213	-

* Pursuant to the equity transfer agreement dated 1 February 2015, Mr. Liu Yong Qiang, HK New Chang Jiang International Investment Limited ("New Chang Jiang") and Mr. Liu Chunde transferred 58%, 29% and 13% of the equity interests in Hubei Tonglin Natural Gas Service Company Limited ("Tonglin Gas") to Hesheng for considerations of HK\$10,150,000 (equivalent to RMB9,100,000), HK\$5,075,000 (equivalent to RMB4,550,000) and HK\$2,275,000 (equivalent to RMB2,041,000), respectively.

** These reserve accounts comprise the consolidated reserves of RMB5,275,000, RMB12,527,000 and RMB37,327,000 in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2015	2016	2017
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		8,577	5,529	(4,364)
Adjustments for:				
Depreciation	12	3,751	3,912	4,058
Amortisation of prepaid land lease payments	13	39	39	39
Gain on disposal of a subsidiary	21	(951)	–	–
		11,416	9,480	(267)
Decrease/(increase) in inventories		76	(16)	(1)
Decrease/(increase) in trade receivables		471	(1,766)	(513)
Decrease/(increase) in prepayments, deposits and other receivables		(5,137)	(1,734)	3,205
Decrease in trade payables		(487)	–	–
Increase/(decrease) in advances from customers, other payables and accruals		2,466	(3,466)	2,693
Increase in amounts due to directors		9,577	–	–
		18,382	2,498	5,117
Cash generated from operations		(1)	(2,302)	(971)
Income tax paid				
Net cash flows from operating activities		18,381	196	4,146
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(2,344)	(557)	(751)
Proceeds from disposal of a subsidiary	21	681	–	–
Net cash flows used in investing activities		(1,663)	(557)	(751)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares of the Company		–	–	886
Proceeds from issue of shares of Hesheng		–	4,205	13,260
Decrease in amount due to directors		–	–	(10,482)
Decrease in amount due to a related party		–	–	(4,281)
Payment for deferred listing expenses		(80)	(427)	(2,138)
Loans to directors		(421)	(448)	(25)
Repayment of loans to directors		206	130	1,091
Loans from directors		13,437	–	16,569
Repayment of loans from directors		(24,105)	(2,000)	(22,857)
Net cash flows from/(used in) financing activities		(10,963)	1,460	(7,977)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year	17	568	6,323	7,684
Effect of foreign exchange rate changes, net		–	262	(305)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	6,323	7,684	2,797

STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December 2017 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary		<u>1</u>
CURRENT ASSETS		
Prepayments		453
Due from a subsidiary		15,952
Cash and cash equivalents		<u>257</u>
Total current assets		<u>16,662</u>
CURRENT LIABILITIES		
Accruals		731
Due to a director		<u>218</u>
Total current liabilities		<u>949</u>
NET CURRENT ASSETS		<u>15,713</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,714</u>
Net assets		<u><u>15,714</u></u>
EQUITY		
Share capital	19	886
Reserves		<u>14,828</u>
Total equity		<u><u>15,714</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 March 2017. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the sale of compressed natural gas.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Zhuoyuan Enterprise Limited ("Zhuoyuan")	British Virgin Islands 28 March 2017	US\$100	100% (direct)	Investment holding
Hesheng	Hong Kong 3 July 2014	HK\$20,225,000	100% (indirect)	Investment holding
Tonglin Gas* (Note (a)) 湖北桐林石油 天然氣服務有限公司	People's Republic of China/ Mainland China 30 August 2007	HK\$37,500,000	100% (indirect)	Sale of compressed natural gas

Note:

- (a) Tonglin Gas is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the year ended 31 December 2015 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Guangzhou City Yuansheng Certified Public Accountants ("廣州市源晟會計師事務所"), certified public accountants registered in the PRC, and the statutory financial statements for the year ended 31 December 2016 prepared under PRC GAAP were audited by Dongguan City Xincheng Certified Public Accountants ("東莞市鑫成會計師事務所"), certified public accountants registered in the PRC.

- * The English name of this entity registered in the PRC represent the best efforts made by management of the Company to directly translate Chinese name of this entity as it did not register any official English name.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 15 June 2017. The companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting.

The financial information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control consolidation as mentioned above, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendment to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 40	<i>Transfer of Investment Property</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
Amendments to HKFRS 1 included in Annual Improvements 2014-2016 Cycle	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
Amendments to HKAS 28 included in Annual Improvements 2014-2016 Cycle	<i>Investments in Associates and Joint Ventures</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. Based on the current assessment, the Group does not expect the adoption of HKFRS 9 would result in significant impact on the amounts reported on the financial statements in the future.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The Group expects to adopt HKFRS 15 on 1 January 2018. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the current business model, the Group does not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019.

Based on the Group's undiscounted operating lease commitments of RMB13,433,000 as set out in note 23 to the Historical Financial Information, the Group has assessed the impact of HKFRS 16 upon adoption and does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but expects that a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as the right-of-use assets and the lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Group;
- or
- (b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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); and
 - (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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5.00%
Leasehold improvements	37.50%
Plant and machinery	10.00%
Motor vehicles	10.00%
Others	20.00% to 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classifications as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and amounts due to directors and a related party.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits*Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and an overseas subsidiary are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of the Company and an overseas subsidiary are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade and other receivables

Impairment of trade and other receivables is recognised based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and the impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the reporting period during the Relevant Periods is set out below:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Customer 1**	22,173	19,051	17,346
Customer 2**	21,300	15,282	7,629
Customer 3	N/A*	N/A*	9,699
	<u>43,473</u>	<u>34,333</u>	<u>34,674</u>

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the Relevant Periods.

** The customers are state-owned enterprises.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and net of value added tax and government surcharges during the Relevant Periods.

An analysis of revenue and other income and gains is as follows:

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
<u>Revenue</u>				
Sale of compressed natural gas and liquefied natural gas		83,927	63,696	65,665
Others		<u>76</u>	<u>–</u>	<u>–</u>
		<u>84,003</u>	<u>63,696</u>	<u>65,665</u>
<u>Other income and gains</u>				
Gain on disposal of a subsidiary	21	951	–	–
Bank interest income		<u>6</u>	<u>16</u>	<u>26</u>
		<u>957</u>	<u>16</u>	<u>26</u>

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold		59,628	44,178	44,929
Depreciation	12	3,751	3,912	4,058
Utility expense		2,823	2,602	2,567
Minimum lease payments under operating leases		1,529	1,677	1,637
Transportation expense		795	401	521
Penalty		284	–	–
Auditor's remuneration		9	10	27
Listing expenses		–	143	11,991
Amortisation of prepaid land lease payments	13	39	39	39
Gain on disposal of a subsidiary	21	(951)	–	–
Bank interest income	5	(6)	(16)	(26)
Employee benefit expense (including directors' remuneration (note 7)):				
Wages and salaries		4,139	3,561	3,050
Pension scheme contributions		459	219	139
		<u> </u>	<u> </u>	<u> </u>

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the year ended 31 December 2015 and 2016 since the Company was incorporated on 24 March 2017.

Mr. Liu Yong Cheng, Mr. Liu Chunde and Mr. Liu Yong Qiang were appointed as executive directors of the Company on 28 June 2017.

Mr. Wong Chun Peng Stewart, Mr. Li Wai Kwan and Ms. Li Helen Hoi Lam were appointed as independent non-executive directors of the Company on 28 June 2017, and Mr. Liu Yong Cheng was appointed as the chief executive of the Company on 28 June 2017.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded is set out below:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	–	–	–
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	211	264	264
Pension scheme contributions	21	21	18
	<u> </u>	<u> </u>	<u> </u>
	232	285	282
	<u> </u>	<u> </u>	<u> </u>

Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

Executive directors and the chief executive

Year ended 31 December 2015	Salaries, bonuses, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Mr. Liu Yong Cheng	67	7	74
Mr. Liu Yong Qiang	67	7	74
Mr. Liu Chunde	77	7	84
	<u>211</u>	<u>21</u>	<u>232</u>

Year ended 31 December 2016	Salaries, bonuses, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Mr. Liu Yong Cheng	68	7	75
Mr. Liu Yong Qiang	68	7	75
Mr. Liu Chunde	128	7	135
	<u>264</u>	<u>21</u>	<u>285</u>

Year ended 31 December 2017	Salaries, bonuses, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Mr. Liu Yong Cheng	68	6	74
Mr. Liu Yong Qiang	68	6	74
Mr. Liu Chunde	128	6	134
	<u>264</u>	<u>18</u>	<u>282</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one, one and two directors during the Relevant Periods, respectively, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining four, four and three highest paid employees who are neither a director nor chief executive of the Company, during the Relevant Periods are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	311	305	219
Pension scheme contributions	27	26	18
	<u>338</u>	<u>331</u>	<u>237</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2015	2016	2017
Nil to HK\$1,000,000	4	4	3

During the Relevant Periods, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expense of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – Mainland China			
Charge for the year	2,528	1,733	1,053
Total tax charge for the year	<u>2,528</u>	<u>1,733</u>	<u>1,053</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there are no assessable profits arising in Hong Kong during the Relevant Periods.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiary of the Group as determined in accordance with the PRC Corporate Income Tax Law.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit/(loss) before tax	8,577	5,529	(4,364)
Tax at the statutory tax rate of 25%	2,144	1,382	(1,091)
Tax effect of tax rate differences between PRC and overseas loss-making entities	–	21	908
Effect of expenses not deductible for tax	622	289	1,235
Tax losses not recognised	–	41	1
Income not subject to tax	(238)	–	–
Tax charge at the Group's effective rate	2,528	1,733	1,053

The Group had tax losses arising in Hong Kong of Nil, RMB248,000 and RMB254,000 as at 31 December 2015, 2016 and 2017, respectively, that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributable by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2015, 2016 and 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in a subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,248,000, RMB8,293,000 and RMB10,603,000 as at 31 December 2015, 2016 and 2017, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

10. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation and up to the end of the Relevant Periods.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods as disclosed in note 2.1.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 1 January 2015:							
Cost	19,796	169	19,445	6,012	483	2	45,907
Accumulated depreciation	(1,777)	(84)	(4,002)	(1,418)	(202)	–	(7,483)
Net carrying amount	<u>18,019</u>	<u>85</u>	<u>15,443</u>	<u>4,594</u>	<u>281</u>	<u>2</u>	<u>38,424</u>
At 1 January 2015, net of accumulated depreciation	18,019	85	15,443	4,594	281	2	38,424
Additions	955	–	1,423	–	231	120	2,729
Depreciation provided during the year (note 6)	(1,002)	(64)	(1,931)	(595)	(159)	–	(3,751)
Transfers	–	–	122	–	–	(122)	–
Disposal of a subsidiary (note 21)	–	–	(186)	(31)	(2)	–	(219)
At 31 December 2015, net of accumulated depreciation	<u>17,972</u>	<u>21</u>	<u>14,871</u>	<u>3,968</u>	<u>351</u>	<u>–</u>	<u>37,183</u>
At 31 December 2015:							
Cost	20,751	169	20,782	5,952	698	–	48,352
Accumulated depreciation	(2,779)	(148)	(5,911)	(1,984)	(347)	–	(11,169)
Net carrying amount	<u>17,972</u>	<u>21</u>	<u>14,871</u>	<u>3,968</u>	<u>351</u>	<u>–</u>	<u>37,183</u>
31 December 2016							
At 1 January 2016:							
Cost	20,751	169	20,782	5,952	698	–	48,352
Accumulated depreciation	(2,779)	(148)	(5,911)	(1,984)	(347)	–	(11,169)
Net carrying amount	<u>17,972</u>	<u>21</u>	<u>14,871</u>	<u>3,968</u>	<u>351</u>	<u>–</u>	<u>37,183</u>
At 1 January 2016, net of accumulated depreciation	17,972	21	14,871	3,968	351	–	37,183
Additions	–	–	23	411	63	–	497
Depreciation provided during the year (note 6)	(1,037)	(21)	(2,065)	(598)	(191)	–	(3,912)
At 31 December 2016, net of accumulated depreciation	<u>16,935</u>	<u>–</u>	<u>12,829</u>	<u>3,781</u>	<u>223</u>	<u>–</u>	<u>33,768</u>
At 31 December 2016:							
Cost	20,751	169	20,805	6,363	761	–	48,849
Accumulated depreciation	(3,816)	(169)	(7,976)	(2,582)	(538)	–	(15,081)
Net carrying amount	<u>16,935</u>	<u>–</u>	<u>12,829</u>	<u>3,781</u>	<u>223</u>	<u>–</u>	<u>33,768</u>

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2017							
At 1 January 2017:							
Cost	20,751	169	20,805	6,363	761	–	48,849
Accumulated depreciation	(3,816)	(169)	(7,976)	(2,582)	(538)	–	(15,081)
Net carrying amount	<u>16,935</u>	<u>–</u>	<u>12,829</u>	<u>3,781</u>	<u>223</u>	<u>–</u>	<u>33,768</u>
At 1 January 2017, net of accumulated depreciation	16,935	–	12,829	3,781	223	–	33,768
Additions	–	–	114	–	23	–	137
Depreciation provided during the year (<i>note 6</i>)	(1,174)	–	(2,105)	(628)	(151)	–	(4,058)
At 31 December 2017, net of accumulated depreciation	<u>15,761</u>	<u>–</u>	<u>10,838</u>	<u>3,153</u>	<u>95</u>	<u>–</u>	<u>29,847</u>
At 31 December 2017:							
Cost	20,751	169	20,919	6,363	784	–	48,986
Accumulated depreciation	(4,990)	(169)	(10,081)	(3,210)	(689)	–	(19,139)
Net carrying amount	<u>15,761</u>	<u>–</u>	<u>10,838</u>	<u>3,153</u>	<u>95</u>	<u>–</u>	<u>29,847</u>

13. PREPAID LAND LEASE PAYMENTS

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Carrying amount at beginning of year	1,705	1,666	1,627
Recognised during the year	<u>(39)</u>	<u>(39)</u>	<u>(39)</u>
Carrying amount at end of year	1,666	1,627	1,588
Current portion included in prepayments, deposits and other receivables	<u>(39)</u>	<u>(39)</u>	<u>(39)</u>
Non-current portion	<u>1,627</u>	<u>1,588</u>	<u>1,549</u>

14. INVENTORIES

	As at 31 December		
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Compressed natural gas	<u>25</u>	<u>41</u>	<u>42</u>

15. TRADE RECEIVABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade receivables	3,893	5,659	6,172

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Less than 3 months	3,437	5,235	5,837
3 to 6 months	36	14	63
6 to 12 months	97	216	87
1 to 2 years	99	194	185
Over 2 years	224	—	—
	3,893	5,659	6,172

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,976	3,613	4,519
Less than 3 months past due	1,473	1,630	1,333
Over 3 months past due	444	416	320
	3,893	5,659	6,172

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that has a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Prepayments	3,902	4,304	3,966
Prepaid listing expenses	320	2,029	3,520
Deposits and other receivables	1,514	1,524	520
Prepaid land lease payments	39	39	39
Deductible input value added tax	245	82	36
Others	90	293	—
	<u>6,110</u>	<u>8,271</u>	<u>8,081</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

17. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	<u>6,323</u>	<u>7,684</u>	<u>2,797</u>
Denominated in:			
RMB	6,323	4,126	2,512
HK\$	<u>—</u>	<u>3,558</u>	<u>285</u>
	<u>6,323</u>	<u>7,684</u>	<u>2,797</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

18. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Accrued payroll	1,897	1,530	946
Payable for purchase of property, plant and equipment	2,278	1,235	885
Accrued liabilities	327	93	3,502
Other tax payable	3,281	1,520	1,321
Advances from customers	522	479	989
Other payables	208	190	622
	<u>8,513</u>	<u>5,047</u>	<u>8,265</u>

Other payables are non-interest-bearing and repayable on demand.

19. SHARE CAPITAL

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Authorised:			
10,000,000,000 ordinary shares of HK\$0.01 each	<u>—</u>	<u>—</u>	<u>88,632</u>
Issued:			
100,000,200 ordinary shares of HK\$0.01 each	<u>—</u>	<u>—</u>	<u>886</u>

The Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 24 March 2017 with an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each.

The movements in the Company's issued share capital during the Relevant Periods are as follows:

	Number of ordinary shares in issue	Issued capital RMB'000
At 24 March 2017 (date of incorporation)	—	—
Issue of shares	100,000,200	886
At 31 December 2017	<u>100,000,200</u>	<u>886</u>

On the date of incorporation, one ordinary share of par value HK\$0.01 was allotted and issued by the Company to the initial subscriber and such one ordinary share was transferred to Hongsheng Enterprise Limited ("Hongsheng") on the same date. On the same date, the Company further allotted and issued 70,999,999 ordinary shares and 29,000,000 ordinary shares to Hongsheng and Yongsheng Enterprise Limited ("Yongsheng"), respectively.

On 13 December 2017, the Company allotted and issued 71 and 29 ordinary shares to Hongsheng and Yongsheng for settlement of shareholders loan from Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, amounting to HK\$13,888,000 and HK\$5,673,000, respectively.

20. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Share premium

As described in note 19 above, the Company allotted and issued 71 and 29 ordinary shares to Hongsheng and Yongsheng for settlement of shareholders loan from Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, amounting to HK\$13,888,000 and HK\$5,673,000, respectively. The difference between the capitalisation of shareholders loan and nominal values of 100 shares issued was credited to the Company's share premium accounts.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company and the reserve arising from the Reorganisation as mentioned in note 2.1 to the Historical Financial Information. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

Statutory reserve

In accordance with the Company Law of the PRC, the subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

21. DISPOSAL OF A SUBSIDIARY

Gong An County Tongxing Natural Gas Company Limited (公安縣桐興天然氣有限公司, “Tongxing”) was established in the PRC on 26 November 2012, which was owned as to 60% by Tonglin Gas and 40% by Gong An Xingcheng Gas Co., Ltd., an independent third party. On 19 October 2015, Tonglin Gas entered into an equity transfer agreement, pursuant to which Tonglin Gas transferred all its equity interest in Tongxing to Ms. Liu Lan, an independent third party at a consideration of RMB760,000. Such transfer was completed on 2 November 2015.

The carrying values of the assets and liabilities of Tongxing as at the date of disposal were as follows:

	<i>Note</i>	As at 2 November 2015 RMB'000
Net assets disposed of:		
Property, plant and equipment	12	219
Inventories		198
Trade receivables		13
Prepayments, deposits and other receivables		1,032
Cash and cash equivalents		79
Trade payables		(388)
Other payables and accruals		(1,033)
Advances from customers		(371)
Non-controlling interests		60
		(191)
Gain on disposal of a subsidiary		951
		760
Satisfied by:		
Cash		760

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	As at 2 November 2015 RMB'000
Cash consideration	760
Cash and cash equivalents disposed of	(79)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	681

22. CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017, the Group had no significant contingent liabilities.

23. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group leases certain of its buildings under operating lease arrangements. Leases for buildings are negotiated for terms ranging from one to ten years. At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,724	1,650	1,818
In the second to third years, inclusive	3,300	3,300	3,365
After three years	11,550	9,900	8,250
	<u>16,574</u>	<u>14,850</u>	<u>13,433</u>

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:			
Plant and machinery	50	–	–
	<u>50</u>	<u>–</u>	<u>–</u>

25. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans to directors:			
Mr. Liu Yong Cheng	10	120	10
Mr. Liu Yong Qiang	27	120	10
Mr. Liu Chunde	384	208	5
	<u>421</u>	<u>448</u>	<u>25</u>
Loans from directors:			
Mr. Liu Yong Cheng	–	–	6,683
Mr. Liu Yong Qiang	–	–	9,886
Mr. Liu Chunde	13,437	–	–
	<u>13,437</u>	<u>–</u>	<u>16,569</u>

The loans between the Group and directors are interest-free, repayable on demand and non-trade in nature.

(b) Other transaction with a related party:

Pursuant to the equity transfer agreement dated 1 February 2015, Mr. Liu Yong Qiang, New Chang Jiang and Mr. Liu Chunde transferred 58%, 29% and 13% of the equity interests in Tonglin Gas to Hesheng for considerations of HK\$10,150,000 (equivalent to RMB9,100,000), HK\$5,075,000 (equivalent to RMB4,550,000) and HK\$2,275,000 (equivalent to RMB2,041,000), respectively.

(c) Outstanding balances with related parties:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Due from directors:*			
Mr. Liu Yong Qiang	27	147	–
Mr. Liu Yong Cheng	10	130	–
Mr. Liu Chunde	711	789	–
	<u>748</u>	<u>1,066</u>	<u>–</u>
Due to directors:			
Mr. Liu Chunde	26,763	24,894	–
Mr. Liu Yong Cheng	–	–	218
Mr. Liu Yong Qiang	8,504	9,091	–
	<u>35,267</u>	<u>33,985</u>	<u>218</u>
Due to a related party:			
New Chang Jiang	<u>4,252</u>	<u>4,545</u>	<u>–</u>

The balances with related parties are unsecured, interest-free, repayable on demand and non-trade in nature.

* Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	Maximum amount outstanding during the year ended 31 December 2015 RMB'000	Maximum amount outstanding during the year ended 31 December 2016 RMB'000	Maximum amount outstanding during the year ended 31 December 2017 RMB'000
Mr. Liu Yong Qiang	27	147	157
Mr. Liu Yong Cheng	10	130	140
Mr. Liu Chunde	734	874	794

(d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Short term employee benefits	259	372	383
Pension scheme contributions	<u>27</u>	<u>33</u>	<u>31</u>
Total compensation paid to key management personnel	<u>286</u>	<u>405</u>	<u>414</u>

Further details of directors' and the chief executive's remuneration are included in note 7 to the Historical Financial Information.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2015

Financial assets

	Loan and receivables <i>RMB'000</i>
Trade receivables	3,893
Financial assets included in prepayments, deposits and other receivables	1,604
Due from directors	748
Cash and cash equivalents	6,323
	<hr/>
	12,568
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Financial liabilities included in advances from customers, other payables and accruals	2,813
Due to directors	35,267
Due to a related party	4,252
	<hr/>
	42,332
	<hr/> <hr/>

As at 31 December 2016

Financial assets

	Loan and receivables <i>RMB'000</i>
Trade receivables	5,659
Financial assets included in prepayments, deposits and other receivables	1,817
Due from directors	1,066
Cash and cash equivalents	7,684
	<hr/>
	16,226
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Financial liabilities included in advances from customers, other payables and accruals	1,518
Due to directors	33,985
Due to a related party	4,545
	<hr/>
	40,048
	<hr/> <hr/>

As at 31 December 2017*Financial assets*

	Loans and receivables <i>RMB'000</i>
Trade receivables	6,172
Financial assets included in prepayments, deposits and other receivables	520
Cash and cash equivalents	2,797
	<hr/>
	9,489
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Financial liabilities included in advances from customers, other payables and accruals	5,009
Due to directors	218
	<hr/>
	5,227
	<hr/> <hr/>

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, amounts due from/to directors and a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from directors and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentration credit risk within the Group as the Group keeps exploring new customers to diversity and strengthen the Group's customer base to reduce the concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15, to the Historical Financial Information.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2015					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in advances from customers, other payables and accruals	2,813	—	—	—	2,813
Due to directors	35,267	—	—	—	35,267
Due to a related party	4,252	—	—	—	4,252
	<u>42,332</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>42,332</u>

As at 31 December 2016					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in advances from customers, other payables and accruals	1,518	—	—	—	1,518
Due to directors	33,985	—	—	—	33,985
Due to a related party	4,545	—	—	—	4,545
	<u>40,048</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,048</u>

As at 31 December 2017					
	On demand	Less than	3 to	1 to 5 years	Total
	RMB'000	3 months	less than	RMB'000	RMB'000
		RMB'000	12 months		
			RMB'000	RMB'000	
Financial liabilities					
included in advances					
from customers, other					
payables and accruals	5,009	–	–	–	5,009
Due to directors	218	–	–	–	218
	<u>5,227</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,227</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the Relevant Periods.

29. EVENT AFTER THE RELEVANT PERIODS

No other significant events that require additional disclosures or adjustments occurred after the Relevant Periods.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 as if Share offer had taken place on 31 December 2017.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as at 31 December 2017 or any future date.

	Consolidated net tangible assets attributable to owners of the Company as at 31 December 2017 RMB'000 (Note 1)	Estimated net proceeds from the Share Offer RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share	
				RMB (Note 3)	HK\$ equivalent (Note 4)
Based on an Offer Price of HK\$0.40 per Share	38,213	28,042	66,255	0.13	0.17
Based on an Offer Price of HK\$0.48 per Share	38,213	35,495	73,708	0.15	0.18

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as at 31 December 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the offer price of HK\$0.40 per Share or HK\$0.48 per Share, after deduction of the underwriting fees and related expenses payable by the Company (excluding Listing expense of RMB12,134,000 which have been charge to profit or loss prior to 31 December 2017) and without taking into account any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share is converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.8014.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of TL Natural Gas Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of TL Natural Gas Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2017, and related notes as set out on pages II-1 of the prospectus dated 8 May 2018 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the public offer and placing of shares of the Company on the Group’s financial position as at 31 December 2017 as if the transaction had taken place at 31 December 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2017, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the public offer and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
8 May 2018

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2018 of the property interests of the Company.



23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

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info@avaval.com

www.avaval.com

8 May 2018

The Board of Directors
TL Natural Gas Holdings Limited
Jingzhou Primary Station
Dong Fang Road
Economic Development Zone
Jingzhou City
Hubei Province
The PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Hubei Tonglin Natural Gas Service Company Limited (“Hubei Tonglin” or the “Company”) for us to carry out the valuation of the property interests held or rented by the Company and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 March 2018 (the “valuation date”).

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

BASIC OF VALUATION

In valuing the property interests, we have complied with all the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held and occupied by the Group in the PRC, which in turn being classified into the following groups:

Group I – Property interests held and occupied by the Group in the PRC; and

Group II – Property Interests rented and occupied by the Group in the PRC.

VALUATION METHODOLOGY

In valuing the property interests in Group I, due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, we have valued a property on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business.

In valuing the property interests in Group II which are rented by the Group, we have attributed no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rents or short-term nature.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – Fangda Partners, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Mr. Oswald Au (Director of AVISTA Valuation Advisory Limited) and Mr. David He (Valuer of AVISTA Valuation Advisory Limited) from 22 May 2017 to 23 May 2017. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 March 2018 <i>RMB</i>	Interest Attributable to the Group	Market value Attributable to the Group as at 31 March 2018 <i>RMB</i>
1.	East of Dangfang Road, Jingzhou Economic and Technological Development Zone, Jingzhou City, Hubei Province, The PRC	11,014,000	100%	11,014,000
	Sub-total:	11,014,000	100%	11,014,000

Group II – Property interests rented and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 March 2018 <i>RMB</i>	Interest Attributable to the Group	Market value Attributable to the Group as at 31 March 2018 <i>RMB</i>
2.	North of Shahong Road Bus Station, Jingzhou City, Hubei Province, The PRC	No Commercial Value	100%	No Commercial Value
3.	East of Shihao Road Bus Station, Jingzhou City, Hubei Province, The PRC	No Commercial Value	100%	No Commercial Value
4.	East of Nanhuan Road Bus Station, Jingzhou City, Hubei Province, The PRC	No Commercial Value	100%	No Commercial Value
5.	5 Floor, Jingpeng Software Park, Jiangjin East Road, Shashi District, Jingzhou City, Hubei Province, The PRC	No Commercial Value	100%	No Commercial Value
	Sub-total:	No Commercial Value	100%	No Commercial Value
	Grand Total:	11,014,000	100%	11,014,000

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 March 2018 RMB
1.	East of Dangfang Road, Jingzhou Economic and Technological Development Zone, Jingzhou City, Hubei Province, The PRC	<p>The property comprises 1 parcel of land with a total site area of approximately 13,384.28 sq.m and various blocks of building and ancillary structures erected thereon completed from 2012 to 2016.</p> <p>Pursuant to the Building Ownership Certificates, the buildings have a gross floor area of approximately 970.83 sq.m and mainly include 1 block of filling station, 1 block of concierge, 1 block of compressor room and 1 block of power distribution room (please refer to Note No. 2).</p> <p>There are another blocks of building including dormitory, office and warehouse with a gross floor area of approximately 597.38 sq.m (please refer to Note No. 4).</p> <p>The ancillary structures mainly include canopy, boundary wall, water tank and road.</p> <p>The property is situated within the Jingzhou Economic and Technological Development Zone, with approximately 18 km driving distance to the Jingzhou Railway Station.</p> <p>The land use rights of the property have been granted for a term of approximately 50 years commencing from 4 December 2008 and expiring on 20 November 2058 for industrial use.</p>	The property was occupied by the Group for gas station purpose.	11,014,000 (100% interest attributable to the Company: 11,014,000)

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Jing Zhou Guo Yong (2008) No. 10610068 dated 4 December 2008, the land use rights of a parcel of land with a site area of approximately 13,384.28 sq.m have been granted to Hubei Tonglin Natural Gas Service Company Limited, for a term of approximately 50 years for industrial use.

2. Pursuant to two Building Ownership Certificates dated 22 November 2013, the property with a total gross floor area of approximately 970.83 sq.m. has been vested to Hubei Tonglin Natural Gas Service Company Limited for filling station and compressor room use. The details are tabulated as below:

No.	Building Ownership Certificate No.	Block of Buildings	Gross Floor Area (sq.m.)
1	Jing Zhou Fang Quan Zheng Yu Zi Di No. 201303410	No. 1 & No. 2	508.7
2	Jing Zhou Fang Quan Zheng Yu Zi Di No. 201303411	No. 3 & No. 4	462.13
Total:			970.83

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- The Company has legally obtained the land use right and building ownership of the property;
 - The use of the land and building is consistent with the designated usages stated in the State-owned Land Use Rights Certificate and Building Ownership Certificate;
 - The land use right and building ownership of the property are free from restrictions of seal up, pledge and other encumbrance;
 - The Company has the right to legally possess, use, lease, transfer, pledge and dispose of the property within the terms stated in the State-owned Land Use Rights Certificate and Building Ownership Certificate; and
 - The property mentioned in Note No. 4 has not obtained the Building Ownership Certificate due to non-fulfillment of application procedure for construction. However, the related government departments have known and agreed the Company to construct the property, and would not impose any fines or other administrative penalties on the Company.
4. In undertaking our valuation, we have assigned no commercial value to the property with a total gross floor area of 597.38 sq.m since it has not obtained valid title certificates which has been mentioned in Note No. 3e. For reference purpose, we are of the opinion that the estimated value of the property as at the valuation date would be RMB646,000, assuming the property has obtained valid title certificates and it could be freely transferred in the market.
5. A summary of major certificates/licenses is shown as follow:
- State-owned Land Use Rights Certificate Yes
 - Building Ownership Certificate Partially
6. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB200 to RMB250 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.
7. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

Group II – Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 March 2018 RMB
2.	North of Shahong Road Bus Station, Jingzhou City, Hubei Province, The PRC	<p>The property comprises 1 parcel of land with a total site area of approximately 2,500 sq.m.</p> <p>The property is situated within the Shashi District, with approximately 18 km driving distance to the Jingzhou Railway Station.</p>	<p>The property was occupied by the Group for gas station purpose.</p>	<p>No Commercial Value</p> <p>(100% interest attributable to the Company: No Commercial Value)</p>
		<p>The property is leased to the Group from an independent third party for a term commencing from 1 January 2016 and expiring on 1 January 2026 for gas station purpose.</p>		

Notes:

- Pursuant to a tenancy agreement dated 31 December 2015, the property with a total site area of approximately 2,500 sq.m, together with the property nos. 3 & 4, is leased to the Group from the Comprehensive Service Department of Jingzhou Public Transportation Head Office, an independent third party, for gas station purpose commencing from 1 January 2016 and expiring on 1 January 2026, at a total current annual rent of approximately RMB2,000,000, out of which approximately RMB400,000 is attributable to the property. The annual rent would remain unchanged for the first five years and grow at an annual rate of 5% since the sixth year.
- Pursuant to a supplementary agreement of the original tenancy agreement dated 20 January 2017, the total annual rent of the property, together with the property nos. 3 & 4, has been adjusted to RMB1,650,000, which would remain unchanged for the first two years and be subject to further negotiation with the lessor since the third year based on price level, tenancy market and gas purchase situation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The tenancy agreement is legally valid and binding to the lessor and lessee;
 - b. The Company has the right to possess and use the property in accordance with the tenancy agreement within the lease term; and
 - c. The buildings erected upon the property have not fulfilled the application procedure for construction. However, the related government departments have known and agreed the lessor to construct the buildings, and would not impose any fines or other administrative penalties on the lessor and Company.
4. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 March 2018 RMB
3.	East of Shihao Road Bus Station, Jingzhou City, Hubei Province, The PRC	<p>The property comprises 1 parcel of land with a total site area of approximately 2,500 sq.m.</p> <p>The property is situated within the Shashi District, with approximately 9 km driving distance to the Jingzhou Railway Station.</p> <p>The property is leased to the Group from an independent third party for a term commencing from 1 January 2016 and expiring on 1 January 2026 for gas station purpose.</p>	The property was occupied by the Group for gas station purpose.	<p>No Commercial Value</p> <p>(100% interest attributable to the Company: No Commercial Value)</p>

Notes:

- Pursuant to a tenancy agreement dated 31 December 2015, the property with a total site area of approximately 2,500 sq.m, together with the property nos. 2 & 4, is leased to the Group from the Comprehensive Service Department of Jingzhou Public Transportation Head Office, an independent third party, for gas station purpose commencing from 1 January 2016 and expiring on 1 January 2026, at a total current annual rent of approximately RMB2,000,000, out of which approximately RMB950,000 is attributable to the property. The annual rent would remain unchanged for the first five years and grow at an annual rate of 5% since the sixth year.
- Pursuant to a supplementary agreement of the original tenancy agreement dated 20 January 2017, the total annual rent of the property, together with the property nos. 2 & 4, has been adjusted to RMB1,650,000, which would remain unchanged for the first two years and be subject to further negotiation with the lessor since the third year based on price level, tenancy market and gas purchase situation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The tenancy agreement is legally valid and binding to the lessor and lessee;
 - b. The Company has the right to possess and use the property in accordance with the tenancy agreement within the lease term;
 - c. The buildings erected upon the property have not fulfilled the application procedure for construction. However, the related government departments have known and agreed the lessor to construct the buildings, and would not impose any fines or other administrative penalties on the lessor and Company;
 - d. The lessor has not gone through the approval procedure for leasing of the allocated land. However, the related government departments have known and agreed the lessor to lease the allocated land to the Company, and confirmed that the lease and use are legal and valid; and
 - e. The lessor has ensured the Company to have an independent and complete leasing right within the lease term, and promised to compensate the Company for the loss incurred by any site problems.
4. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 March 2018 RMB
4.	East of Nanhuan Road Bus Station, Jingzhou City, Hubei Province, The PRC	<p>The property comprises 1 parcel of land with a total site area of approximately 2,500 sq.m.</p> <p>The property is situated within the Jingzhou District, with approximately 8 km driving distance to the Jingzhou Railway Station.</p> <p>The property is leased to the Group from an independent third party for a term commencing from 1 January 2016 and expiring on 1 January 2026 for gas station purpose.</p>	The property was occupied by the Group for gas station purpose.	<p>No Commercial Value</p> <p>(100% interest attributable to the Company: No Commercial Value)</p>

Notes:

- Pursuant to a tenancy agreement dated 31 December 2015, the property with a total site area of approximately 2,500 sq.m, together with the property nos. 2 & 3, is leased to the Group from the Comprehensive Service Department of Jingzhou Public Transportation Head Office, an independent third party, for gas station purpose commencing from 1 January 2016 and expiring on 1 January 2026, at a total current annual rent of approximately RMB2,000,000, out of which approximately RMB650,000 is attributable to the property. The annual rent would remain unchanged for the first five years and grow at an annual rate of 5% since the sixth year.
- Pursuant to a supplementary agreement of the original tenancy agreement dated 20 January 2017, the total annual rent of the property, together with the property nos. 2 & 3, has been adjusted to RMB1,650,000, which would remain unchanged for the first two years and be subject to further negotiation with the lessor since the third year based on price level, tenancy market and gas purchase situation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The tenancy agreement is legally valid and binding to the lessor and lessee;
 - b. The Company has the right to possess and use the property in accordance with the tenancy agreement within the lease term;
 - c. The buildings erected upon the property have not fulfilled the application procedure for construction. However, the related government departments have known and agreed the lessor to construct the buildings, and would not impose any fines or other administrative penalties on the lessor and Company;
 - d. The lessor has not gone through the approval procedure for leasing of the allocated land. However, the related government departments have known and agreed the lessor to lease the allocated land to the Company, and confirmed that the lease and use are legal and valid; and
 - e. The lessor has ensured the Company to have an independent and complete leasing right within the lease term, and promised to compensate the Company for the loss incurred by any site problems.
4. As confirmed by the Company, there are no material environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 March 2018 RMB
5.	5 Floor, Jingpeng Software Park, Jiangjin East Road, Shashi District, Jingzhou City, Hubei Province, The PRC	<p>The property comprises the whole 5th floor of a 12-storey office building with a total gross floor area of approximately 200 sq.m completed in about 2012.</p> <p>The property is situated within the Shashi District, with approximately 12 km driving distance to the Jingzhou Railway Station.</p>	The property was occupied by the Group for office purpose.	<p>No Commercial Value</p> <p>(100% interest attributable to the Company: No Commercial Value)</p>
		<p>The property is leased to the Group from an independent third party for a term commencing from 1 February 2017 and expiring on 31 January 2020 for office purpose.</p>		

Notes:

1. Pursuant to a tenancy agreement dated 24 January 2017, the property with a total gross floor area of approximately 200 sq.m is leased to the Group from Hubei Jingpeng Software Group Limited Company, an independent third party, for office purpose commencing from 1 February 2017 and expiring on 31 January 2020, at a total annual rent of approximately RMB60,000 including management fee.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The tenancy agreement is legally valid and binding to the lessor and lessee; and
 - b. The Company has the right to possess and use the property in accordance with the tenancy agreement within the lease term.
3. As confirmed by the Company, there are no material environmental and planning issues.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 March 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 April 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting,

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise

agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors***(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully

paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 24 March 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums

on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so

by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 12 April 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in "Documents available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated on 24 March 2017 in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law. Our Company has established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 July 2017. Ms. Ho Siu Pik and Ms. Cheng Mei Chun have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong. Our address for acceptance of service of process and notices on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of Cayman Islands and its constitution, comprising its Memorandum of Association and Articles of Association. A summary of the Cayman Islands company law and of the Memorandum of Association and the Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV in this prospectus.

2. Changes in Share Capital of our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 shares of par value HK\$0.01 each. The following alterations in the issued and paid up share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) on 24 March 2017, one Share of par value HK\$0.01 was allotted and issued fully-paid as the subscriber share to Reid Services Limited, an Independent Third Party, which in turn transferred such one Share to Hongsheng at par. On the same date, 70,999,999 Shares and 29,000,000 Shares were allotted and issued fully-paid to Hongsheng and Yongsheng, respectively.
- (b) as part of the Reorganisation and as consideration for the transfer of the entire issued share capital in Hesheng by Mr. Liu Yong Qiang and Mr. Liu Yong Cheng to Zhuoyuan on 15 June 2017, our Company has allotted and issued 71 and 29 Shares to Hongsheng and Yongsheng, respectively, credited as fully paid.
- (c) on 13 December 2017, 71 Shares and 29 Shares, credited as fully paid, were allotted and issued to Hongsheng and Yongsheng, respectively, by way of capitalisation for the settlement of the outstanding shareholder's loan in the amount of HK\$19.6 million provided by the existing Shareholders on a pro-rata basis prior to Listing.

- (d) on 20 April 2018, our Shareholders resolved that, conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Placing Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$2,749,998.00 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 274,999,800 Shares (or any such number of Shares any one Director may determine) for allotment and issue to our Shareholders whose names appeared in the register of members or the principal share register of our Company at close of business on the date which the said resolution is passed (or another date as our Directors may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued), each ranking *pari passu* in all respects with the then Shares in issue.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Share Offer.

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of par value HK\$0.01 each	<u>100,000,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
100,000,200	Shares in issue as at the date of this prospectus	1,000,002.00
274,999,800	Shares to be issued pursuant to the Capitalisation Issue	2,749,998.00
<u>125,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,250,000.00</u>
<u>500,000,000</u>	Total	<u>5,000,000.00</u>

The above table assumes that the Share Offer becomes unconditional and Shares are issued pursuant to the Capitalisation Issue and Share Offer. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$100,000,000.00 divided into 10,000,000,000 Shares, and an issued share capital of HK\$1,000,002.00 divided into 100,000,200 Shares, all fully paid or credited as fully paid.

Immediately following the completion of the Capitalisation Issue and the Share Offer, the issued share capital of our Company will be HK\$5,000,000.00, divided into 500,000,000 Shares, all fully paid or credited as fully paid and 9,500,000,000 Shares will remain unissued.

Save as disclosed above and in “3. Written Resolutions of our Shareholders passed on 20 April 2018” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of our Shareholders passed on 20 April 2018

Pursuant to the written resolutions of our Shareholders to be passed, among other things:

- (a) our Company approved and adopted the Memorandum of Association and the Articles of Association;
- (b) conditional upon (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus/pursuant to the Share Offer and the Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme; (ii) the Offer Price being fixed on or around the Price Determination Date; (iii) the execution and delivery of the Underwriting Agreements on or around the Price Determination Date; and (iv) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (1) the Capitalisation Issue and the Share Offer were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Capitalisation Issue and the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (2) the proposed Listing was approved and our Directors were authorised to implement the Listing;
 - (3) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Placing, our Directors were authorised to capitalise an amount of HK\$2,749,998.00 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 274,999,800 Shares (or any such number of Shares any one Director may determine) for allotment and issue to our Shareholders whose names appeared on the register of members of our Company as at the close of business on the date which the said resolution is passed (or another date as our Directors may direct) in proportion to their respective shareholdings in our Company at that time (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued), each ranking *pari passu* in all respects with the then Shares in issue;

- (4) conditional further on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue or the Shares to be issued pursuant to the exercise of any Options which may be granted pursuant to the Share Option Scheme; and (ii) the commencement of trading of the Shares on the Stock Exchange, (A) the Share Option Scheme (subject to such amendments as any committee established by our Board or any Director may in its or his/her absolute discretion consider necessary or expedient in respect of the Share Option Scheme, provided that such amendments are not of a material nature) be approved and adopted; and (B) our Directors be authorised to grant Options under the Share Option Scheme and to allot, issue, procure the transfer of and otherwise deal with Shares issued pursuant to the exercise of any Options granted pursuant to the Share Option Scheme;
- (5) a general unconditional mandate was granted to our Directors to, among other things, allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (C) the exercise of any options which may be granted pursuant to the Share Option Scheme, or (D) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:
- (i) 20% of the total nominal or par value of the share capital of our Company in issue immediately following the completion of Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of any Options which may be granted under the Share Option Scheme); and
- (ii) the total nominal or par value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (6) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting (the **“Relevant Period”**) (the **“Issue Mandate”**);

- (6) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules with an aggregate nominal value of not more than 10% of the aggregate nominal or par value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer, such mandate to remain in effect during the Relevant Period (the **"Repurchase Mandate"**); and
- (7) the Issue Mandate as referred to in sub-paragraph (5) above was extended by an amount representing the aggregate nominal or par value of the Shares repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (6) above but excluding any Shares which may be issued pursuant to the exercise of the Options which may be granted under the Share Option Scheme.

B. OUR OPERATING SUBSIDIARY

The particulars of our operating subsidiary are provided in the Accountants' Report, the text of which is set out in Appendix I in this prospectus.

C. FURTHER INFORMATION ON OUR SUBSIDIARIES

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

On 28 January 2016, the issued share capital of Hesheng increased from HK\$10,000 to HK\$5.0 million.

On 15 June 2017, the issued share capital of Hesheng further increased from HK\$5.0 million to HK\$20.2 million.

Save as disclosed above and in "E. Corporate Reorganisation" below in this Appendix and "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

D. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This section set out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

1. Relevant Legal and Regulatory Requirements

The GEM Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 20 April 2018, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase up to 10% of the aggregate nominal or par value of the share capital of our Company in issue immediately following completion of the Share Offer on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose). The Repurchase Mandate will remain in effect during the Relevant Period.

(b) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, under the Cayman Companies Law, any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase, or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any amount of premium payable on a repurchase over the par value of the Shares to be repurchased must be out of either or both our Company's profits or our Company's share premium account, before or at time the Shares are repurchased, or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) Trading Restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on GEM if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

The GEM Listing Rules also prohibit a listed company from repurchasing its securities on GEM if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Suspension of Repurchase

Pursuant to the GEM Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required by the GEM Listing Rules); and (ii) the deadline for a listed company to publish an announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on GEM unless the circumstances are exceptional.

(e) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person” (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on GEM.

2. Reasons for Repurchases

Our Directors believe that it is in our Company’s and our Shareholders’ best interests for our Directors to have general authority from our Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company’s current financial position as disclosed in this prospectus and taking into account our Company’s current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company’s working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

4. General

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the GEM Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

E. CORPORATE REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for listing of the Shares on the Stock Exchange. Please see "History, Development and Reorganisation – Reorganisation" in this prospectus for further details.

F. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are material:

- (a) a bought and sold note and an instrument of transfer dated 15 June 2017 in relation to the transfer of 14,359,750 shares of Hesheng from Liu Yong Qiang to Zhuoyuan;
- (b) a bought and sold note and an instrument of transfer dated 15 June 2017 in relation to the transfer of 5,865,250 shares of Hesheng from Liu Yong Cheng to Zhuoyuan;

- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition;
- (e) the Cornerstone Investment Agreements; and
- (f) Public Offer Underwriting Agreement.

2. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business.


(a) Domain Name

As at the Latest Practicable Date, we have registered the following domain name which is material to our business:

Domain Name	Registrant	Expiry Date
tl-cng.com	Tonglin Gas	25 March 2020

(b) Trademarks

As of the Latest Practicable Date, Tonglin Gas was the registered user of the following trademark and our Group was licensed to use the following trademark which is material to our business:

Trademark	Place of Registration	Registrant	Class	Registration No.	Validity Period
	China	Tonglin Gas	35	15465671	10 years, from 28 February 2016

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights of our Group, which are or may be material in relation to our Group's business as at the Latest Practicable Date.

G. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors and chief executives of our Company in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. Liu Yong Qiang ^(Note 2)	Interest in controlled corporation; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%
Mr. Liu Yong Cheng ^(Note 3)	Interest in controlled corporation; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Immediately following the completion of the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of any Options which may be granted under the Share Option Scheme) and the Share Offer, Mr. Liu Yong Qiang (i) directly owns 100% of Hongsheng, which will in turn hold 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company; therefore Mr. Liu Yong Qiang is deemed, or taken to be interested in, all the Shares held by Hongsheng for the purpose of the SFO; and (ii) owns 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company in which Mr. Liu Yong Qiang is deemed to be interested as a result of being a party acting in concert with Mr. Liu Yong Cheng.

- (3) Immediately following the completion of the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and the Share Offer, Mr. Liu Yong Cheng (i) directly owns 100% of Yongsheng, which will in turn hold 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company; therefore Mr. Liu Yong Cheng is deemed, or taken to be interested in, all the Shares held by Yongsheng for the purpose of the SFO; and (ii) owns 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company in which Mr. Liu Yong Cheng is deemed to be interested as a result of being a party acting in concert with Mr. Liu Yong Qiang.

(b) Interests and short positions of substantial shareholders in the Shares or underlying Shares of our Company

So far as is known to any Director or chief executive of our Company, immediately following completion of the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of any Options which may be granted under the Shares Option Scheme) and the Share Offer, the following persons (other than a Director or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Long position in our Shares

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Hongsheng ^(Note 2)	Beneficial owner; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%
Yongsheng ^(Note 3)	Beneficial owner; interest held jointly with another person	375,000,000 (L) ^(Note 1)	75.0%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Immediately following the completion of the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of any Options which may be granted under the Share Option Scheme) and the Share Offer, Mr. Liu Yong Qiang (i) directly owns 100% of Hongsheng, which will in turn hold 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company; therefore Mr. Liu Yong Qiang is deemed, or taken to be interested in, all the Shares held by Hongsheng for the purpose of the SFO; and (ii) owns 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company in which Mr. Liu Yong Qiang is deemed to be interested as a result of being a party acting in concert with Mr. Liu Yong Cheng.

- (3) Immediately following the completion of the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and the Share Offer, Mr. Liu Yong Cheng (i) directly owns 100% of Yongsheng, which will in turn hold 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company; therefore Mr. Liu Yong Cheng is deemed, or taken to be interested in, all the Shares held by Yongsheng for the purpose of the SFO; and (ii) owns 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company in which Mr. Liu Yong Cheng is deemed to be interested as a result of being a party acting in concert with Mr. Liu Yong Qiang.

As at the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries.

2. Directors' Service Contracts

Our executive Directors have entered into service contracts with our Company for a fixed term of three years commencing from the Listing Date which can be terminated before the expiration of the term by not less than three month's notice in writing served by either party on the other.

Our independent non-executive Directors have signed appointment letters with our Company for a term of three years. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Directors fee of HK\$120,000 per annum with effect from the Listing Date. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including salaries, allowances and benefits in kind, and pension scheme contributions) paid to our Directors for FY2015, FY2016 and FY2017 were approximately RMB232,000, RMB285,000 and RMB282,000, respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of FY2015, FY2016 and FY2017.

Save as disclosed above, no other payments have been made or are payable in respect of FY2015, FY2016 and FY2017 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), our Directors in respect of the year ending 31 December 2018 to be approximately RMB480,000.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

4. Personal Guarantees

As at the Latest Practicable Date, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to our Group.

5. Agency Fees or Commission Received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted by our Group to any person (including our Directors and experts referred to in “I. Other Information – 6. Qualifications of experts” below in this Appendix) in connection with the issue or sale of any capital or security of our Company or any of member of our Group within the two years preceding the date of this prospectus.

6. Connected and Related-Party Transactions

Details of the related-party transactions are set out under Note 25 to the Accountants’ Report set out in Appendix I in this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest and/or short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (c) none of our Directors nor any of the persons listed in “I. Other Information – 6. Qualifications of experts” below in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group taken as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “I. Other Information – 6. Qualifications of experts” below in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in “I. Other Information – 6. Qualifications of experts” below in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (g) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (h) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group.

H. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our Shareholders passed on 20 April 2018. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. For the purpose of this paragraph, references to “**Board**” shall mean the board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to “**Participant**” shall mean any Director (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of our subsidiaries and employees of any member of our Group and any other persons (including consultants or advisers); references to “**Grantee**” shall mean any

Participants who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal representative of such person.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. Participants of the Share Option Scheme and Basis for Determining the Eligibility of the Participants

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, our Board may offer to grant an option to any Participants who our Board considers, in its absolute discretion, have contributed or will contribute to our Group.

3. Administration

The Share Option Scheme shall be subject to the administration of our Board. Our Board shall have the right to:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who will be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph (6) below, in relation to such options;
- (c) subject to paragraphs (14) and (15) below, make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

4. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of our Company or their respective associates), our Board shall be entitled at any time within ten years after the date of adoption of the Share Option Scheme to make an offer

for the grant of an option to any Participant as our Board may in its absolute discretion select. The offer shall specify the terms on which the option is granted. Such terms may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of our Board other terms impose (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

- (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the GEM Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year under the GEM Listing Rules, or quarter or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, the period during which no options shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

5. Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 21 days from the date of the offer. HK\$1.00 is payable by the Grantee to our Company on acceptance of the offer of the option.

6. Subscription price

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price 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 on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant, provided that in the event that any option is proposed to be granted within a period of less than five trading days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Share Offer shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange.

7. Option period

The period within which the Shares must be taken up under an option shall be the period of time to be notified by our Board to each Grantee at the time of making an offer, which shall be determined by our Board in its absolute discretion at the time of grant, but such period must not exceed ten years from the date of grant of the relevant option. The current Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the following conditions are established:

- (a) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme prior to the Listing;
- (b) the listing division of the Stock Exchange granting approval of the Share Option Scheme and the granting of options thereunder;
- (c) the listing division of the Stock Exchange granting approval of the listing of, and the permission to deal in, our Shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Share Option Scheme;
- (d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waivers of any conditions by the Joint Bookrunners (acting for and on behalf of the Underwriters) and not being terminated in accordance with the respective terms); and
- (e) the commencement of dealings in our Shares on GEM.

8. Rights are personal to grantee

An option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

9. Rights attaching to Shares allotted

The Shares to be allotted and issued upon the exercise of an option will be fully paid, and shall be subject to all the provisions of the Memorandum and Articles of Association as amended from time to time and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividend or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

10. Exercise of option

Subject to the terms and conditions upon which an option is granted, an option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (1) his or her death or (2) on one or more of the grounds of termination of employment or engagement specified in paragraph (11)(f) below, the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless our Board otherwise determines in which event the option shall be exercisable to the extent and within such period as our Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine;
- (b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph (11)(f) below then exists with respect to such Grantee, the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;
- (c) in the event the Grantee ceasing to be a supplier, customer, adviser, consultant, shareholder or holder of any securities of any member of the Group or any entity in which the Group holds any equity interest for any reason other than his or her death, the Grantee may exercise his or her option up to his or her entitlement at the date he or she ceases to be a supplier, customer, adviser, consultant, shareholder or holder of any securities of any member of the Group or any entity in which the Group holds any equity interest within the period of one month following the date of cessation in whole or in part (to the extent not already exercised);
- (d) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (10)(e) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

- (e) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within 14 days after the date on which such general offer becomes or is declared unconditional;
- (f) in the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his or her personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than five Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than three Business Days immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid; and
- (g) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 10(e) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same date as it despatches to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or where permitted under paragraph 10(b) his/her legal personal representative(s)) shall be entitled to exercise all or any of his or her options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and terminate. The Directors shall endeavour to procure that the Shares issued as a result of the exercise of options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such relevant court) the rights of Grantees to exercise their respective options

shall with effect from the date of the making of the order by the relevant court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension. Subject to the above, an option will lapse automatically on the date the proposed compromise or arrangement becomes effective; and

- (h) in the event the Grantee ceasing to be a non-executive Director or an independent non-executive Director of any member of the Group or any entity in which the Group holds any equity interest for any reason other than his or her death, such Grantee may exercise his or her option up to his or her entitlement at the date he or she ceases to be a non-executive Director or an independent non-executive Director of any member of the Group or any entity in which the Group holds any equity interest within the period of one month following the date of cessation in whole or in part (to the extent not already exercised).

11. Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the date or the expiry of the periods for exercising the option as referred to in paragraph (10) above;
- (c) subject to the scheme of arrangement (referred to in paragraph (10)(e) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph (10)(e) above;
- (d) subject to paragraph (10)(f) above, the date of the commencement of the winding-up of our Company;
- (e) the date on which the Grantee commits a breach of paragraph (8) above;
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment on any one or more of the grounds that he or she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary or the relevant entity in which our Group holds any equity interest or the holding company of our Company;

- (g) if the Directors at their absolute discretion determine that the Grantee or his or her associate has committed any breach of any contract entered into between the Grantee or his or her associate on the one part and the Group or any entity in which the Group holds any equity interest on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Directors shall determine that the outstanding options granted to the Grantee shall lapse. In such event, his or her options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined;
- (h) the date on which the Board in its absolute discretion determines that the Grantee has committed a breach or failed to comply with any obligation or provisions (other than paragraph (8)) or perform and observe any of the terms, conditions, restrictions and/or limitations attached to the grant of the option or set out herein;
- (i) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (j) where the Grantee is an employee, a director or an officer of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
- (k) unless our Board otherwise determines, and other than in the circumstances referred to in paragraph (10)(a) or (b) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment or engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

12. Cancellation of option

Any options granted but not exercised may be cancelled if the Board and the Shareholders by way of an ordinary resolution in general meeting so approve and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph (13) below and otherwise comply with the terms of the Share Option Scheme.

13. Maximum number of Shares subject to options

- (a) The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 23 of the GEM Listing Rules are applicable) must not exceed 30% of the total number of Shares in issue from time to time (the “**Scheme Limit**”);

- (b) the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 23 of the GEM Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Scheme Mandate Limit**”), being 50,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (c) our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 23 of the GEM Listing Rules are applicable)(including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;
- (d) our Company may also seek separate Shareholders’ approval for granting options beyond the Scheme Mandate Limit to the Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought. A circular shall be sent to our Shareholders containing a generic description of the identified Participants, the number and terms of the options to be granted, the purpose of granting options to the identified Participants, and how those options serve such purpose;
- (e) the total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding Options) in any twelve-month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Any further grant of options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders’ approval in advance with such Participant and his close associates (or his associates if such participant is a connected person) abstaining from voting. A circular must be sent to our Shareholders disclosing the identity of such Participant and the number and terms of the options granted and to be granted. The number and terms of Options to be granted to such Participants shall be fixed before Shareholders’ approval is sought and the date of our Board meeting for proposing such further grant shall for all purposes be the date of grant for the purpose of calculating the subscription price;
- (f) the maximum number of Shares referred to in this paragraph (13) shall be adjusted, in such manner as the auditors or the financial advisor of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any

alteration in the capital structure of our Company in accordance with paragraph (14) below by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company; and

- (g) the exercise of any option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of options.

14. Reorganisation of capital structure and special dividend

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (ii) the subscription price; and/or (iii) the method of exercise of the option; and/or (iv) the maximum number of Shares referred to in paragraph (13) above; and/or (v) any combination thereof, as the auditors or a financial advisor engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

15. Alteration of the Share Option Scheme

- (a) Subject to paragraph (15)(b) below, our Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in Chapter 23 of the GEM Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);
- (b) those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 23 of the Listing Rules; and

- (c) notwithstanding any approval obtained pursuant to paragraph (15)(a) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

16. Termination of the Share Option Scheme

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

17. Offers made to a director, chief executive or employee who is also Substantial Shareholder of our Company or any of their respective associates

Each grant of options to any director, chief executive or Substantial Shareholder of our Company (or any of their respective associates)(as the aforesaid terms are defined in rule 20.06(2) of the GEM Listing Rules) shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the relevant class of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such grant of options shall be subject to prior approval by our Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

18. Conditions of Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (a) the passing of the necessary resolutions by the Shareholders to approve and adopt the rules of the Share Option Scheme;
- (b) the listing division of the Stock Exchange granting approval of the Share Option Scheme and the granting of options thereunder;
- (c) the listing division of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options under the Share Option Scheme;
- (d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waivers of any conditions by the Joint Bookrunners (acting for and on behalf of the Underwriters) and not being terminated in accordance with the respective terms); and
- (e) the commencement of dealings in the Shares on GEM.

19. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the listing division of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, being 50,000,000 Shares in total.

I. OTHER INFORMATION**1. Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

2. Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules. The Sponsor's fees payable by us in respect of the Sponsor's services as sponsor for the Listing is HK\$4.5 million.

The Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

3. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited combined financial statements of our Group were prepared).

4. Tax and other indemnities

(a) Tax on Dividend

No tax is payable in Hong Kong in respect of dividend paid by us.

(b) Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(d) Estate Duty

There is no estate duty in Hong Kong.

(e) Deed of Indemnity

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favor of our Company (and its subsidiaries) and conditional on the fulfillment of the conditions stated in “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, each of our Controlling Shareholder has unconditionally and irrevocably, jointly and severally covenanted, agreed and undertaken to indemnify and keep each of the members of our Group indemnified at all times on demand from and against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require each of our Controlling Shareholders to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional taxation which may fall on our Company or any other members of our Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, our Controlling Shareholder has also unconditionally and irrevocably, jointly and severally agreed and undertaken to indemnify and keep each of members of our Group indemnified at all times on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, orders and expenses incurred or suffered or loss of profits, benefits or other commercial advantages suffered by our Company and/or any members of our Group resulting from (i) the Reorganisation; (ii) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted by or against our Company and/or any members of our Group in relation to events occurred on or before the Listing Date; (iii) any and all of the non-compliances with the applicable laws, rules or regulations, by our Company and/or any members of our Group in their respective place of incorporations or operation which has occurred at any time on or before the Listing Date, (iv) any and all claims, payment, damages, settlement, liabilities, costs, fees and expenses suffered or incurred by our Company and/or any members of our Group as a result of or in connection with any non-compliance with the terms of the Master Supply Agreement or in connection with any other non-compliance with the terms of the Master Supply Agreement by our Company and/or any members of our Group which has occurred at any time on or before the Listing Date; (v) any and all claims, payment, damages, settlement, liabilities, costs, fees and expenses suffered or incurred by our Company

and/or any members of our Group as a result of or in connection with any non-compliance with the title defects in relation to our leased lands at Shihao Road, Nanhuan Road and Shahong Road at any time on or before the Listing Date; and (vi) any and all fines and penalties incurred by our Company and/or any members of our Group as a result of or in connection with the failure to obtain building ownership certificates at any time on or before the Listing Date.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

- (i) to the extent that provision has been made for such taxation or taxation claim in the audited combined accounts of our Group or the audited accounts of any of the members of our Group for an accounting period ended on or before 31 December 2017;
- (ii) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;
- (iii) falling on any members of our Group in respect of any accounting period commencing on or after 31 December 2017 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, any of our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:
 - (1) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or
 - (2) pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this prospectus;
- (iv) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (v) to the extent of any provision or reserve made for such liability in the audited accounts referred to in paragraph (i) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such

provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

(f) Consultation with professional advisors

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sponsor, the Underwriters, any of their respective directors, or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

5. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group; and
 - (v) no founders, management or deferred shares of our Company or any of its subsidiaries has been issued or agreed to be issued;
- (b) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (c) our Company has no outstanding convertible debt securities;
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (e) our Directors have been advised that there is nothing under Cayman Islands law to preclude our Company from adopting, for identification purposes only, a Chinese abbreviated name;
- (f) there is no arrangement under which future dividend are waived or agreed to be waived;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (h) our Cayman Islands principal share register will be maintained by our principal share registrar, Estera Trust (Cayman) Limited in the Cayman Islands and our Hong Kong branch share register will be maintained by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

6. Qualifications of experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
Giraffe Capital Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Fangda Partners	Legal advisers of our Company as to the laws of the PRC
Ernst & Young	Certified Public Accountants
Appleby	Legal advisers of our Company as to the laws of the Cayman Islands
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
AVISTA Valuation Advisory Limited	Property valuer

7. Consent of Experts

Each of Giraffe Capital Limited, Fangda Partners, Ernst & Young, Appleby, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and AVISTA Valuation Advisory Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion and/or legal memorandum (as the case may be) and references to its name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

Our Company has no promoter for purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

9. Preliminary Expenses

The estimated preliminary expenses of our Company are approximately US\$4,300 and were payable or paid by our Company.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in “Statutory and General Information – F. Further Information About Our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus; and
- (b) the written consents referred to in “Statutory and General Information – I. Other Information – 6. Qualifications of experts” in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Peter Yuen & Associates (in association with Fangda Partners) at 26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in “Accountants’ Report” in Appendix I and “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus, respectively;
- (c) the audited report on the consolidated financial statements of our Group for FY2015, FY2016 and FY2017;
- (d) the letter of advice prepared by Appleby, our legal advisor as to the laws of the Cayman Islands, summarising certain aspects of the Cayman Islands company law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus;
- (e) the PRC legal opinions issued by Fangda Partners, our PRC Legal Advisers, in respect of certain aspects of our Group;
- (f) the industry report prepared by F&S;
- (g) the rules of the Share Option Scheme;
- (h) the Property Valuation Report, the texts of which are set out in “Property Valuation” in Appendix III to this prospectus;

- (i) the material contracts referred to in “Statutory and General Information – F. Further Information About Our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in “Statutory and General Information – I. Other Information – 6. Qualifications of experts” in Appendix V to this prospectus;
- (k) the service contracts and appointment letters referred to in “Statutory and General Information – G. Further Information about Directors and Substantial Shareholders – 2. Directors’ Service Contracts” in Appendix V to this prospectus; and
- (l) the Cayman Companies Law.

