TL NATURAL GAS
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8536

Annual Report

2018

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This report, for which the directors (the "Directors") of TL Natural Gas Holdings Limited (the "Company", and together with its subsidiaries, the "Group", "we" or "our") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

Unless otherwise stated, all monetary figures are expressed in Renminbi ("RMB").

In the context of this report, compressed natural gas ("CNG") 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. Liquefied natural gas ("LNG") refers to natural gas that has been converted to liquid form.

This report will remain on the website of GEM at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of publication and on the website of the Company at www.tl-cng.com.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Liu Yong Cheng *(Chairman and Chief Executive Officer)*
Mr. Liu Yong Qiang
Mr. Liu Chunde

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Peng Stewart
Mr. Li Wai Kwan
Ms. Li Helen Hoi Lam

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Li Wai Kwan *(Chairman)*
Mr. Wong Chun Peng Stewart
Ms. Li Helen Hoi Lam

REMUNERATION COMMITTEE

Mr. Wong Chun Peng Stewart *(Chairman)*
Mr. Liu Yong Cheng
Mr. Li Wai Kwan

NOMINATION COMMITTEE

Mr. Liu Yong Cheng *(Chairman)*
Ms. Li Helen Hoi Lam
Mr. Li Wai Kwan

AUTHORISED REPRESENTATIVES

Mr. Liu Yong Cheng
Ms. Cheng Mei Chun

JOINT COMPANY SECRETARIES

Mr. Zhao Yonghe
Ms. Cheng Mei Chun

COMPLIANCE OFFICER

Mr. Liu Yong Cheng

LEGAL ADVISER AS TO HONG KONG LAWS

Fangda Partners

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

Giraffe Capital Limited

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Hubei Bank
Hang Seng Bank
DBS

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre, 183 Queen's Road East
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Jingzhou Primary Station
Dong Fang Road, Economic Development Zone
Jingzhou City, Hubei Province
the PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

www.tl-cng.com

STOCK CODE

8536

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of my fellow members of the board of Directors (the "Board") of the Company, I am pleased to present the first annual report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018 (the "Year"), after the listing of its shares (the "Listing") on GEM of the Stock Exchange on 18 May 2018 (the "Listing Date").

FINANCIAL PERFORMANCE

During the Year, we mainly generated revenue from the sale of CNG from our retail operation and wholesale business in Jingzhou, Hubei Province. The Group's revenue for the Year amounted to approximately RMB85.4 million, increased by approximately 30.0% when compared with approximately RMB65.7 million for the year ended 31 December 2017. The increase was primarily attributable to increased orders from existing wholesale customers and the Group's effort in obtaining order from certain new wholesale customers and expansion of customer base during the Year.

Although the Group's results was negatively impacted by the Listing expenses, we successfully delivered a net profit of approximately RMB4.6 million for the Year (2017: net loss of approximately RMB5.4 million). Excluding the Listing expenses of RMB5.0 million, the Group's profit for the Year was approximately RMB9.6 million when compared with the profit of approximately RMB6.6 million (excluding Listing expenses of RMB12.0 million) for the corresponding period of 2017. The increase in profit was mainly attributable to the increase in sales and higher gross profit margin as a result of the increased demand from our customers.

Other than the improvement of the operating results, 2018 has also been a year of meaningful progress in the Group's strategic evolution. On 18 May 2018, the shares of the Company were successfully listed on GEM of the Stock Exchange. This benefits us in terms of enhanced capital base and a stronger cash position, fostering the execution of our future plans. The Group's enhanced corporate profile, raised by the Listing, also brings forth an advantage when it comes to gathering industry talents, thus strengthening the business in the long run.

OUTLOOK

According to 2018 BP Statistical Review of World Energy, for 2017, natural gas only accounted for approximately 6.6% of China's total primary energy consumption, which is far lower than the world average of 23.4%. On the contrary, the natural gas demand in the People's Republic of China (the "PRC" or "China") increased significantly during the past few years, with a compound annual growth rate ("CAGR") of 9.0% from 2012 to 2016. The PRC government has formulated policies encouraging the use of natural gas vehicles in China, for example, (i) the 13th Five-year Plan for Energy Development (能源發展「十三五」規劃), which is the government policy leading to the proportion of natural gas users in cities to increase and the natural gas consumption is targeted to increase by 45.0 billion m^3 to eliminate 189,000 tons of coal-fired boiler capacity; and (ii) 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), under which coal-fired power plants are encouraged to be replaced by gas-fired power generation facilities. The proportion of natural gas consumption in primary energy consumption structure in the 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 the Hubei Province is also estimated to increase from 2017 to 2021, representing a CAGR of 25.1%. The number of gas refuelling stations in China is expected to increase by approximately 50.0% from 2016 to 2020 and the number of gas refuelling stations market of Jingzhou, Hubei Province, is estimated to further develop, with natural gas vehicles in Jingzhou, Hubei Province, projected to reach 6,178 in 2021, representing a CAGR of 3.8% from 2017 to 2021. Accordingly, 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.

Looking forward, the Group's main focus will remain on the development of natural gas for vehicle use and building more CNG/LNG combined refueling stations to enlarge its existing market share and expand into new markets in other parts of China. Meanwhile, the Group will also explore business opportunities in integration of upstream and downstream operations and continue to pursue other clean energy projects with an emphasis of moving up the value chain of the clean energy sector and become a renowned clean energy service provider, thereby bringing steady and fruitful return to shareholders and maximising long-term benefits for shareholders, customers, staff and the community.

APPRECIATION

On behalf of the Board, I wish to extend my sincere gratitude to every management and staff member at all levels for their contributions and efforts over the Year. I would also like to thank all my fellow directors for their incisive contributions as we continue our efforts on positioning the Group for future growth.

Last but not least, on behalf of the Board, I wish to express our sincere appreciation to all our new shareholders for your confidence and steadfast support.

I am confident that our business ambitions and concerted efforts are geared towards making further strides and delivering sustainable long term shareholders value in the years ahead.

LIU Yong Cheng
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 21 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly supplies CNG. The Group's principal place of business is in Jingzhou, Hubei Province, China. The Group derives revenue mainly from the distribution of CNG to both (i) retail customers which are mostly vehicular end-users, and (ii) wholesale customers which are urban gas companies, gas refuelling station operators and industrial users. The principal product offering is CNG, most of which is purchased from the Group's natural gas supplier, PetroChina Company Limited.

For the Year, the Group's revenue amounted to approximately RMB85.4 million, increased by approximately 30.0% when compared with approximately RMB65.7 million for the year ended 31 December 2017. The increase was primarily attributable to increased orders from the existing wholesale customers and the introduction of certain new wholesale customers and expansion of customer base during the Year.

The Group reported a net profit of approximately RMB4.6 million for the Year, compared with a net loss of approximately RMB5.4 million for the year ended 31 December 2017. Excluding the one-off Listing expenses of approximately RMB5.0 million and RMB12.0 million, the Group's profit for the Year was approximately RMB9.6 million and RMB6.6 million for the year ended 31 December 2017, respectively. The increase in profit was mainly attributable to the increase in sales and higher gross profit margin as a result of the increased demand from our customers.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately RMB19.7 million or 30.0% from approximately RMB65.7 million for the year ended 31 December 2017 to approximately RMB85.4 million for the Year. The following table sets forth the revenues by nature for the years indicated:

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Retail operation				
Buses	**16,233**	**19.0**	17,347	26.4
Taxis and private vehicles	**21,247**	**24.9**	18,384	28.0
	37,480	**43.9**	35,731	54.4
Wholesale business	**47,748**	**55.9**	30,120	45.9
Transmission service	**406**	**0.5**	–	–
Taxes and surcharges	**(216)**	**(0.3)**	(186)	(0.3)
Total revenue	**85,418**	**100.0**	65,665	100.0

Majority of the Group's retail customers are bus of Jingzhou Public Transportation Head Office (荊州市公共交通總公司) ("Jingzhou Public Transport") and other drivers of taxis and private vehicles. The Group currently operates four refuelling stations in Jingzhou, Hubei Province, namely Dongfang Road station, Nanhuan Road station, Shahong Road station and Shihao Road station.

Revenue from retail operation, which accounted for 43.9% (2017: 54.4%) of total revenue, increased by approximately RMB1.8 million or 5.0% from approximately RMB35.7 million for the year ended 31 December 2017 to approximately RMB37.5 million for the Year. The increase in revenue generated from retail operation was mainly attributable to the increase in sales volume to taxis and private vehicles as a result of the increase in demand, net of the slight decrease in sales volume to buses.

Revenue from wholesale business, which accounted for 55.9% (FY2017: 45.9%) of total revenue, increased by approximately RMB17.6 million or 58.5% from approximately RMB30.1 million for the year ended 31 December 2017 to approximately RMB47.7 million for the Year. The increase was driven by the increased orders from existing wholesale customers and the introduction of certain new wholesale customers and expansion of customer base during the Year.

Cost of sales

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 sales increased by approximately RMB12.1 million or 21.5% from approximately RMB56.4 million for the year ended 31 December 2017 to approximately RMB68.5 million for the Year. Cost of inventories sold, which amounted to RMB44.9 million and RMB56.1 million for the year ended 31 December 2017 and the Year, respectively, represented 79.6% and 81.9% of cost of sales for the respective years. The overall increase in cost of sales was primarily due to the increase in cost of inventories sold as a result of the increase in sales volume during the Year.

FINANCIAL REVIEW *(cont'd)*

Gross profit and gross profit margin

Gross profit increased by approximately RMB7.7 million or 82.8% from approximately RMB9.3 million for the year ended 31 December 2017 to approximately RMB17.0 million for the Year. The increase was mainly driven by the increase in sales volume while certain fixed costs included in cost of sales remained stable during the years. With the Group's revenue increases while certain fixed costs included in cost of sales, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, remained relatively stable, the gross profit margin increased from approximately 14.1% for the year ended 31 December 2017 to approximately 19.8% for the Year, by 5.7%.

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs, office and travel expenses incurred in our operation department, amounted to approximately RMB0.5 million for the Year and remained stable as compared to approximately RMB0.5 million for the year 2017.

Administrative expenses

Administrative expenses, which mainly represent the Listing expenses and professional fees, decreased by approximately RMB4.3 million or 32.8%, from approximately RMB13.1 million for the year ended 31 December 2017 to approximately RMB8.8 million for the Year. The decrease in administrative expenses was primarily due to the decrease in Listing expenses following the Listing on 18 May 2018.

Other income and gains

Other income and gains increased by approximately RMB403,000 from approximately RMB26,000 for the year ended 31 December 2017 to approximately RMB429,000 for the Year. The increase was mainly due to the installation fee received from customers for the installation of infrastructure for CNG supply.

Income tax expenses

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group domicile or operate.

(a) *Cayman Islands and British Virgin Islands ("BVI")*

The Group has not been subject to any income tax in the Cayman Islands or BVI during the year ended 31 December 2017 and the Year.

(b) *Hong Kong profits tax*

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong during the year ended 31 December 2017 and the Year.

(c) *PRC corporate income tax*

Our Group's PRC subsidiaries are subjected to a tax rate of 25.0% during the year ended 31 December 2017 and the Year on the assessable profits arising in or derived from the PRC.

Income tax expenses increased by RMB2.3 million or 209.1% from approximately RMB1.1 million for the year ended 31 December 2017 to approximately RMB3.4 million for the Year. Such increase was in line with the increase in profit before tax. The effective tax rate increased from approximately negative 24.1% for the year ended 31 December 2017 to approximately 42.7% for the Year, mainly due to tax effect of tax rate different between PRC and overseas loss-making entities and effect of expenses net deductible for tax.

Profit attributable to owners of the parent

Profit attributable to owners of the parent for the Year amounted to approximately RMB4.6 million, compared with a loss of RMB5.4 million for the same period last year. Excluding the Listing expenses of approximately RMB5.0 million and RMB12.0 million, the profit attributable to owners of the parent for the Year amounted to approximately RMB9.6 million and RMB6.6 million for the year ended 31 December 2017, respectively, as gross profit increased.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB63.4 million (31 December 2017: RMB17.1 million) which comprised cash and cash equivalents of approximately RMB37.3 million as at 31 December 2018 (31 December 2017: RMB2.8 million). The Group had current liabilities amounted to approximately RMB8.0 million as at 31 December 2018 (31 December 2017: RMB10.6 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 7.9 times as at 31 December 2018 (31 December 2017: 1.6 times). The increase in current ratio was mainly driven by the increase in cash and cash equivalents of approximately RMB34.5 million resulted from the Listing proceeds and the increase in trade receivables of approximately RMB11.2 million due to the business growth.

Gearing ratio represents the bank and other borrowings as a percentage of equity attributable to equity holders of the Company. Gearing ratio is not applicable to the Group since the Group did not have any interest-bearing borrowings and bank borrowings as at 31 December 2017 and 2018.

FINANCIAL RATIOS

The Group does not maintain inventory. The inventories mainly represented natural gas which remained in the pipelines as at 31 December 2017 and 2018.

Trade receivables turnover days of the Group during the year increased to approximately 50.4 days (31 December 2017: 32.9 days), which was attributable to a longer credit period granted to some of the strategic customers to enhance relationship with them. Trade receivables as at 31 December 2018 increased by approximately RMB11.2 million to approximately RMB17.4 million (31 December 2017: RMB6.2 million).

FOREIGN CURRENCY RISK

The Group carries out its business in China and most of its transactions are denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2017 and the Year.

INTEREST RATE RISK

The Group has no significant interest rate risk. The Group currently does not have any specific policies in place to manage interest rate risk and has not entered into any interest rate swap transactions to mitigate interest rate risk but will closely monitor related risk in the future.

INFORMATION ON EMPLOYEES

As at 31 December 2018, the Group had 89 employees (31 December 2017: 92 employees), including the executive Directors. The Group recorded staff costs (including directors' remuneration) of approximately RMB3.8 million (31 December 2017: RMB3.2 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. The Group provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposals of the Group during the year ended 31 December 2017 and the Year.

CHARGES OF ASSETS

There was no charges of assets as at 31 December 2017 and 2018.

CAPITAL COMMITMENT

The Group did not have any capital commitments as at 31 December 2017 and 2018.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

USE OF PROCEEDS

The Company's share were listed on the GEM of the Stock Exchange on 18 May 2018 and the net proceeds from the Listing were approximately HK$29.2 million. The Company intends to apply the net proceeds in the following manner:

Description	Planned use of proceeds as shown in the Prospectus (adjusted based on the actual net proceeds) HK$'000	Percentage of net proceeds	Acutal usage of proceeds from the Listing Date to 31 December 2018 HK$'000	Unutilised amount as at 31 December 2018 HK$'000
Expanding gas station network by constructing one CNG refuelling station	5,212	17.9%	–	5,212
Expanding gas station network by constructing one combined CNG/LNG refuelling station	12,250	42.0%	–	12,250
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	8,772	30.1%	1,019	7,753
Working capital and other general corporate purposes	2,916	10.0%	1,458	1,458
Total	**29,150**	**100.0%**	**2,477**	**26,673**

As at 31 December 2018, there has not yet been material business progress in respect of business objectives set out in the prospectus of the Company dated 8 May 2018 (the "Prospectus"). The unutilised net proceeds have been placed with licensed banks in the PRC.

In pursuance of our business objectives, the implementation plans of our Group are set forth below:

Implementation plan as disclosed in Prospectus	Actual progress achieved for the year ended 31 December 2018
Expanding gas station network by constructing one CNG refuelling station	• Negotiating with relevant government authorities in relation to the specific requirements in relation to the proposed construction of one CNG refuelling station • Working together with contractors on design work to prepare for application for government approvals • Obtained quotations for equipment and electricity power system, facility building and renovation, compressors, gas cylinders and CNG dispensers
Expanding gas station network by constructing one combined CNG/LNG refuelling station	• Regular site visit and drove around the local area to identify suitable site • Negotiating with relevant government authorities in relation to the specific requirements in relation to the proposed construction of one CNG refuelling station • Working together with contractors on design work to prepare for application for government approvals

USE OF PROCEEDS *(cont'd)*

Implementation plan as disclosed in Prospectus	Actual progress achieved for the year ended 31 December 2018
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	• Informed the relevant government authorities in relation to the proposed installation of new facilities at our Jingzhou Primary Station with LNG processing capability • Acquired certain CNG/LNG station equipment

The Group has submitted the application and notified the relevant government authorities for the construction of new refuelling stations and upgrade of infrastructures and facilities of its existing primary station. The Directors consider that the relevant approval will be obtained from the relevant government authorities in due course. Thereafter, the Group would carry out feasibility study including environmental impact assessment to further implement the plans.

The Directors would constantly evaluate the Group's business objectives and will change or modify plan against the changing market condition to ascertain the business growth of the Group.

As at the date of this annual report, the Directors do not anticipate any change to the principal plan as to the use of proceeds.

PROSPECTS

In light of the growing demand from the wholesale customers, the Group's revenue had increased by 30.0% in the Year against the same period last year. Looking forward, the Group is optimistic on the growth of consumption of CNG along with China 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 and to respond to policies issued by the central PRC government. The Jingzhou Municipal Government has followed 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), under which the use of coal-fired thermal power plant boilers shall be phased out and prohibited. 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, in the central area of Jingzhou by 2020, of which most of the buses and taxis are expected to be fueled by natural gas.

In that aspect, the Group believes that the favourable government policies and industry trends in China will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas. The Group will continue to capture the growth potential resulting from policies and industry trends. The Directors are of the view that the Group is achieving sustainable growth and will continue to expand going forward to bring greater return to the shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 12 years of experience in the natural gas industry. Mr. Liu joined our Group on 30 August 2007 as the director and legal representative of Hubei Tonglin Natural Gas Service Company Limited* (湖北桐林石油天然氣服務有限公司), an indirect wholly-owned subsidiary of the Company ("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, Hongkong Hesheng International Industrial Limited ("Hesheng") and Zhuoyuan Enterprise Limited ("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 Gongan School* (廣州市公安學校) in the PRC in July 1988.

Mr. Liu Yong Qiang (劉永強), aged 45, 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 12 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 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 July1990.

Mr. Liu Chunde (劉春德), aged 66, 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 the 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 10 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.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Peng Stewart (黃俊鵬), aged 52, 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 26 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 is a partner of YTL LLP (formerly known as 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.

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. Li Wai Kwan (李偉君), aged 47, 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.

Mr. Li has many years of experience in accounting, finance and investment management. Mr. Li is the chief financial officer of Crystal International Group Limited (stock code: 2232), which is principally engaged in manufacturing of fashion products since November 2018, while he is responsible for finance matters for the Group. From March 2005 to September 2006, he worked for Esprit Holdings Limited, which is listed on the Main Board (stock code: 330) and principally engaged in manufacturing, retail and wholesale distribution of fashion products, and he served as a vice president of operational finance and a vice president of finance in Asia Pacific region from March 2005 to September 2006, while 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, while he was responsible for finance, investment and company secretarial matters. Mr. Li was a managing director and director of the board of COFCO Agricultural Investment Fund Management Company Limited, which is principally engaged in asset management, from September 2010 to October 2011, and he was responsible for managing overall business and investment matters. Mr. Li was a managing director of Origo Partners PLC, whose shares are listed on the London Stock Exchange and principal business is private equity investment, from November 2011 to January 2013, and he was responsible for investment matters. Mr. Li was the chief financial officer of Zhuhai Dahengqin Holding Limited, which is principally engaged in primary land development, real estate development, theme park construction and operation, city operational management, and asset management in Hengqin Free Trade Zone, from November 2013 to October 2018, while he was responsible for finance, investment and fund management matters.

Mr. Li is an executive committee member and honorary treasurer of the Hong Kong – ASEAN Economics Cooperation Foundation since 2015, a director of the board of Chartered Professional Accountants of Canada – Hong Kong & Macau Chapter since 2017 and a Honorary President of the Institute of Certified Management Accountants – Hong Kong & Macau Branch since 2018.

Mr. Li was the chairman of 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 Organizing Committee of Directors of the Year Awards 2010 organized 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, and a committee member of Public Awareness Committee of Hong Kong Society of Financial Analysts in 2016. Mr. Li was a member of Finance Committee of the Hong Kong Housing Authority from 2010 to 2012. Mr. Li was the guest lecturer of the Macau University of Science and Technology in 2016.

Mr. Li graduated from University of Toronto in Canada with a bachelor of commerce degree with distinction in November 1995. He further obtained a master of business administration degree from Schulich School of Business, York University in Canada in November 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(cont'd)*

Mr. Li was admitted as a chartered financial analyst of the Chartered Financial Analysts Institute in September 2001, a certified general accountant of the Certified General Accountants of Canada in October 2002, a certified public accountant of the Hong Kong Institute of Certified Public Accountants in October 2004, a fellow chartered certified accountant of the Association of Chartered Certified Accountants in June 2010, a chartered professional accountant of the Chartered Professional Accountants of British Columbia, Canada in June 2015, a member of Hong Kong Business Accountants Association in December 2015, a fellow certified management accountant of the Institute of Certified Management Accountants in April 2016, and a fellow chartered accountant of the Institute of Chartered Accountant in England & Wales in June 2018.

Mr. Li is the independent non-executive director of KW Nelson Interior Design and Contracting Group Limited (stock code: 8411) since 18 November 2016, the independent non-executive director of Miricor Enterprises Holdings Limited (stock code: 1827) since 19 December 2016, the independent non-executive director of Enterprise Development Holdings Limited (stock code: 1808) since 27 April 2017, and the independent non-executive director of China Greenfresh Group Company Limited (stock code: 6183) since 20 July 2018. Mr. Li was the independent non-executive director of China Graphene Group Limited (stock code: 63) from 1 February 2018 to 30 November 2018.

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 17 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 and China Committee of The British Chamber of Commerce in Hong Kong.

SENIOR MANAGEMENT

Other than Mr. Liu Yong Cheng, Mr. Liu Yong Qiang, Mr. Liu Chunde and Mr. Zhao Yonghe (please refer to the disclosure of Mr. Zhao in "Joint company secretaries"), there is one more senior management member of our Group as follows:

Mr. Liu Xiushan (劉秀山), aged 38, 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.

JOINT COMPANY SECRETARIES

Mr. Zhao Yonghe (趙永和), aged 44, 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 22 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.

Ms. Cheng Mei Chun (鄭美珍), aged 54, has been appointed as our joint company secretary since 6 June 2017. Ms. Cheng is a Director of Corporate Services of Tricor Services Limited, a global professional corporate services provider. Ms. Cheng has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Cheng is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since August 1994 and August 1992, respectively.

REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited financial statements for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries was engaged in the sale of compressed CNG. There were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

General

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 6 to 10 of this annual report. This discussion forms part of this directors' report.

Environmental policies and compliance with law and regulations

The Group is committed to supporting the environmental sustainability and is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the Year, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

A report on the environmental, social and governance aspects is prepared in accordance with Appendix 20 to the GEM Listing Rules and will be published on the Company's and the Stock Exchange's websites as close as possible to, and in any event no later than three months after, the publication of the Company's annual report.

Relationship with stakeholders

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the Group's financial position at 31 December 2018 are set out in the financial statements on pages 35 to 75.

The Board does not recommend the payment of final dividend for the Year (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Friday, 3 May 2019. For determining the shareholders' entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 29 April 2019, to Friday, 3 May 2019 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26 April 2019.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 76 of this annual report.

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

The shares of the Company have been listed on the Stock Exchange since 18 May 2018. From the Listing Date to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 20 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in note 21 and 30 to the consolidated financial statements. As at 31 December 2018, the reserves of the Company available for distribution, as calculated in accordance with statutory provisions applicable in the Cayman Islands, was approximately RMB48.2 million (31 December 2017: RMB14.8 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 60.0% of the total sales for the Year and sales to the largest customer included therein amounted to 22.2%. Purchases of the Group, mainly from its two natural gas suppliers, which accounted for 100.0% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 98.0%. Other costs of sales, other than purchases of natural gas, mainly represented depreciation, utilities, staff costs and gas refuelling stations rental expenses and the Group does not have any other purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or the two suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Mr. Liu Yong Cheng *(Chairman and Chief Executive Officer)*
Mr. Liu Yong Qiang
Mr. Liu Chunde
Mr. Wong Chun Peng Stewart
Mr. Li Wai Kwan
Ms. Li Helen Hoi Lam

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

In accordance with the articles of association of our Company, Mr. Liu Yong Qiang and Mr. Wong Chun Peng Stewart will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors. As at the date of this annual report, they are considered to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years which is subject to termination by either party giving not less than three months' written notice. Each of the independent non-executive Directors has entered into a service contract with the Company for a fixed term of three years from the Listing Date, terminated by either party giving not less than three months' written notice.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions that may brought against them. The Company has maintained appropriate insurance cover for the Directors and officers throughout the period from the Listing Date to 31 December 2018 and are currently in force.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 December 2018, interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity/Nature of interests	Total number of Shares interested	Approximate percentage of the total issued share capital (%)
Mr. Liu Yong Cheng *(Note 1)*	Interest in controlled corporation and parties acting in concert	375,000,000	75%
Mr. Liu Yong Qiang *(Note 2)*	Interest in controlled corporation and parties acting in concert	375,000,000	75%

Notes:

(1) Mr. Liu Yong Cheng directly owns 100% of Yongsheng Enterprise Limited ("Yongsheng"), which in turn holds 108,750,000 shares or approximately 21.75% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Yongsheng for the purpose of the SFO. Pursuant to the acting in concert confirmation dated 14 June 2017, Mr. Liu Yong Cheng is also deemed to be interested in 266,250,000 shares or approximately 53.25% of the issued share capital of our Company owned by Hongsheng Enterprise Limited ("Hongsheng") as a result of being a party acting in concert with Mr. Liu Yong Qiang.

(2) Mr. Liu Yong Qiang directly owns 100% of Hongsheng, which in turn holds 266,250,000 shares or approximately 53.25% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO. Pursuant to the acting in concert confirmation dated 14 June 2017, in Mr. Liu Yong Qiang is also deemed to be interested in 108,750,000 shares or approximately 21.75% of the issued share capital of our Company owned by Yongsheng as a result of being a party acting in concert with Mr. Liu Yong Cheng.

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in ordinary shares of the Company:

Name	Capacity/Nature of interests	Total number of Shares interested	Approximate percentage of the total issued share capital (%)
Yongsheng *(Note 1)*	Beneficial owner and parties acting in concert	375,000,000	75%
Hongsheng *(Note 2)*	Beneficial owner and parties acting in concert	375,000,000	75%

Notes:

(1) Mr. Liu Yong Cheng directly owns 100% of Yongsheng, which in turn holds 108,750,000 shares or approximately 21.75% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Yongsheng for the purpose of the SFO. Pursuant to the acting in concert confirmation dated 14 June 2017, Mr. Liu Yong Cheng is also deemed to be interested in 266,250,000 shares or approximately 53.25% of the issued share capital of our Company owned by Hongsheng as a result of being a party acting in concert with Mr. Liu Yong Qiang.

(2) Mr. Liu Yong Qiang directly owns 100% of Hongsheng, which in turn holds 266,250,000 shares or approximately 53.25% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO. Pursuant to the acting in concert confirmation dated 14 June 2017, Mr. Liu Yong Qiang is also deemed to be interested in 108,750,000 shares or approximately 21.75% of the issued share capital of our Company owned by Yongsheng as a result of being a party acting in concert with Mr. Liu Yong Cheng.

Save as disclosed above, as at 31 December 2018 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company which had been required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 20 April 2018. The Share Option Scheme enables the Company to grant options to the Directors, the directors of the Group's subsidiaries and employees of any member of the Group and any other persons (including consultants or advisers) (the "Eligible Participant") as incentives or rewards for their contributions to the Group. The Board, at its absolution discretion and subject to the terms of the Scheme, shall be entitled, at any time within ten years commencing from the date the Share Option Scheme was adopted, to make an offer for the grant of an option to any Eligible Participant.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 50,000,000 shares, representing 10% of the enlarged issued share capital of the Company. The maximum number of shares that may be granted by the Company to any one Eligible Participant shall not exceed 1% of the issued share capital of the Company from time to time.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Eligible Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be 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 of the Option, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day"); (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 of the Options; 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 Dates, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue from the date of listing of the Shares on GEM of the Stock Exchange. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Since the adoption of the Share Option Scheme and during the year, no Option has been granted, exercised, lapsed or cancelled, and as at 31 December 2018, no Options under the Share Option Scheme were outstanding.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save for the Share Option Scheme, at no time from the Listing Date to 31 December 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands.

EQUITY-LINKED AGREEMENTS

During the Year, save for the Share Option Scheme, the Company did not enter into any equity-linked agreements in respect of shares of the Company.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings from the Listing Date to 31 December 2018.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, Mr. Liu Yong Qiang, Mr. Liu Yong Cheng, Hongsheng and Yongsheng, the controlling shareholders of the Company ("Controlling Shareholders") entered into a deed of non-competition in favour of the Company on 20 April 2018 (for itself and as trustee for its subsidiaries) (the "Deed of Non-Competition"). Each of the Controlling Shareholders confirmed to the Company that they have compiled with the Deed of Non-Competition during the period from the Listing Date to 31 December 2018.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, subject to certain exceptions, during the period that the Deed of Non-Competition remain effective, each of the Controlling Shareholders shall not, and shall procure that their associates (other than any members of the Group) not to, directly or indirectly, carry on, participate in, be engaged, be interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

COMPETING INTERESTS

During the Year, so far as the Directors are aware, none of the Directors, Controlling Shareholders and substantial shareholders of the Company, and their respective close associates (as defined under the GEM Listing Rules) had held any position or had interest in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year are set out in note 25 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction which is subject to the reporting, annual review, announcement and/or shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the Year, the Group has not conducted any "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) which is subject to reporting and annual review requirements under the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 December 2018, as notified by the Company's compliance adviser, Giraffe Capital Limited (the "Compliance Adviser") except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 14 July 2017, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the Audit and Risk Management Committee. The Audit and Risk Management Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2018 comply with applicable reporting standards, GEM Listing Rules, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 29 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the date of this annual report.

AUDITOR

The financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Liu Yong Cheng
Chairman and Chief Executive Officer
21 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adheres to a good standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as the basis of the Company's corporate governance practices.

As the Company's shares were not listed on the GEM until the Listing Date, the CG Code set out in Appendix 15 to the GEM Listing Rules was not applicable to the Company for the Year, but only from the Listing Date to 31 December 2018 (the "Review Period"). During the Review Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings") in respect of securities transactions by Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the Review Period.

The Company has also adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its written guidelines (the "Employees Written Guidelines") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises six Directors, consisting of three executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Mr. Liu Yong Cheng *(Chairman of the Board and chief executive officer)*
Mr. Liu Yong Qiang
Mr. Liu Chunde

Independent Non-executive Directors
Mr. Wong Chun Peng Stewart
Mr. Li Wai Kwan
Ms. Li Helen Hoi Lam

The biographical information of the Directors are set out in the section headed Biographical Details of Directors and Senior Management on pages 11 to 13 of this annual report.

Mr. Liu Yong Cheng is the elder brother of Mr. Liu Yong Qiang. Save as disclosed, none of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Under the current management structure of the Company, Mr. Liu Yong Cheng is the chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer"). As Mr. Liu Yong Cheng has been leading the Group as the Chief Executive Officer and actively involved in the core business of Hubei Tonglin Natural Gas Service Company Limited, an indirect wholly-owned subsidiary of the Company, since its incorporation, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Liu Yong Cheng acting as the Chief Executive Officer and Chairman for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three independent non-executive Directors. The Company will consult the Board for any major decisions. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

Independent Non-executive Directors

During the Review Period, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The independent non-executive Directors of the Company are appointed for a specific term of three years commencing from the Listing Date, subject to retirement by rotation and re-election at the annual general meeting of the Company.

The articles of association of the Company provides that all Directors appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting of the Company after appointment.

Under the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

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

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

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

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

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

Continuous Professional Development of Directors

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

The following Directors pursued continuous professional development and relevant details are summarised as follows:

Name of Directors	Type of Training Note
Executive Directors	
Mr. Liu Yong Cheng	✓
Mr. Liu Yong Qiang	✓
Mr. Liu Chunde	✓
Independent Non-executive Directors	
Mr. Wong Chun Peng Stewart	✓
Mr. Li Wai Kwan	✓
Ms. Li Helen Hoi Lam	✓

Note:

During the year ended 31 December 2018, all Directors received training and training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

Audit and Risk Management Committee

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

The terms of reference of the Audit and Risk Management Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit and Risk Management Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control, or other matters of the Group.

During the Review Period, the Audit and Risk Management Committee held two meetings to review the interim and third quarterly financial results and reports and significant issues on the financial reporting, operational and compliance controls.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Wong Chun Peng Stewart, independent non-executive Director, Mr. Liu Yong Cheng, executive Director and Mr. Li Wai Kwan, independent non-executive Director. Mr. Wong Chun Peng Stewart is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

As the Company's shares were listed only on 18 May 2018, no meeting of the Remuneration Committee was held during the Review Period.

Details of the remuneration of the senior management by band are set out in Notes 7 and 8 to the Financial Statements.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Liu Yong Cheng, executive Director, Mr. Li Wai Kwan, independent non-executive Director and Ms. Li Helen Hoi Lam, independent non-executive Director. Mr. Liu Yong Cheng is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

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

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

During the Review Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, experience, expertise, qualifications, skills and knowledge as well as independence of the Board.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

Director Nomination Policy

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

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

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

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

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

Corporate Governance Functions

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

During the Review Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings held during the Review Period is set out in the table below:

	Number of Meetings Attended/Number of Meetings held for the Review Period			
Name of Directors	Board Meeting	Audit and Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors				
Mr. Liu Yong Cheng	2/2	–	0/0	1/1
Mr. Liu Yong Qiang	2/2	–	–	–
Mr. Liu Chunde	2/2	–	–	–
Independent Non-executive Directors				
Mr. Wong Chun Peng Stewart	2/2	2/2	0/0	–
Mr. Li Wai Kwan	2/2	2/2	0/0	1/1
Ms. Li Helen Hoi Lam	2/2	2/2	–	1/1

No annual general meeting was held during the Review Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company has adopted 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.

The Company's risk management and internal control systems have been developed with the following features and processes:

(a) The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification: Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment: Assesses the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response: Prioritises the risks by comparing the results of the risk assessment; and determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting: Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly.

(b) The main features of the risk management and internal control systems are summarised as follows:

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; ensure that unauthorized access and use of inside information are strictly prohibited; and to provide reasonable assurance against material misstatement, loss or fraud.

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

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless the Company engaged an external professional firm to carry out internal audit functions. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged an external professional firm as its risk management and internal control review adviser ("the Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2018. Such review is conducted annually and cycles reviewed are under rotation basis. The Adviser has reported findings and areas for improvement to the Audit and Risk Management Committee and management. The Board and the Audit and Risk Management Committee are of the view that there are no material internal control defects noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

The Company has developed its Information Disclosure Policy which provides guidelines and procedures to the Company's Directors, senior management and employees in evaluating and handling confidential information, monitoring information disclosure, handling market rumors, leakage of information and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Group has in place a restriction-to-access mechanism to ensure that inside information is restricted to authorised persons on a need-to-know basis in accordance with the nature of transactions.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 33 to 34.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services of the Group for the year ended 31 December 2018 amounted to RMB1,250,000.

JOINT COMPANY SECRETARIES

Mr. Zhao Yonghe and Ms. Cheng Mei Chun are joint company secretaries of the Company.

Mr. Zhao Yonghe is the financial controller of the Company. The Company has appointed Ms. Cheng Mei Chun of Tricor Services Limited, an external service provider, as one of the Company's joint company secretaries. Her primary contact person at the Company is Mr. Zhao Yonghe.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Mr. Zhao Yonghe and Ms. Cheng Mei Chun have each complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of the relevant professional training during the year ended 31 December 2018.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Company by mail to the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to Tonlin_cng@163.com The Company will not normally deal with verbal or anonymous enquiries.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The Company has not made any changes to its Memorandum and Articles of Association since the Listing Date. An up to date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

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

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

INDEPENDENT AUDITOR'S REPORT

EY 安永

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To the shareholders of TL Natural Gas Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of TL Natural Gas Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 75, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue from the sale of compressed natural gas amounted to RMB85,012,000 for the year ended 31 December 2018. The Group adopted HKFRS 15 and its amendments which replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations effective from 1 January 2018. As a result, revenue from the sale of compressed natural gas is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue recognition is significant to the financial statements based on its quantitative materiality, the large volume of transactions that were processed in the year and the revenue may not be recorded in the proper period. The Group's disclosures about revenue recognition are included Note 2.4 *Summary of significant accounting policies* and Note 5 *Revenue, Other income and gains* to the financial statements, which specifically explain the accounting policies and revenues separated on different good and service offering and geographies.	We understood, evaluated and tested management's internal controls over the revenue process. We discussed with management with respect to the recognition basis on sale of compressed natural gas. We obtained an understanding of the sale transaction through inspection of the underlying contractual agreements. We compared the sales volume of compressed natural gas recorded in the system against the relevant documents and tested revenue recorded covering different customers by examining the relevant sale contracts and cash receipts records, on a sample basis. We performed analytical review of revenue to understand how the revenue has trended over the year. We circularised external confirmations of the value of sales transactions for the year ended 31 December 2018 and outstanding trade receivables balances as at that date, on a sample basis. Where responses were not received, we completed alternative procedures by examining settlement records and cash receipts records. We also performed interview with certain customers to confirm the commercial arrangements under the sales contracts.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(cont'd)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As at 31 December 2018, the trade receivable balance amounting to RMB17,469,000 before the loss allowance for impairment of RMB54,000 was significant to the Group. The Group adopted HKFRS 9 *Financial Instruments* which replaces HKAS 39 *Financial Instruments: Recognition and Measurement* effective from 1 January 2018. As a result, the Group applies the simplified approach in calculating expected credit loss ("ECL"). The measurement of ECL involves significant judgement and assumptions used in the simplified approach as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions. The Group's disclosures about trade receivables are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 15 *Trade receivables*, which specifically explain the accounting policies, management's estimates, the overdue receivables and the related loss allowance.	We evaluated management's assessment of the recoverability of the receivables by reviewing the detailed analyses of the ageing of the receivables, the cash collection records during the year and if collections had been received subsequent to the year end to understand current condition of the receivables and any long outstanding amounts. We also reviewed historical payment patterns and historical provisions along with other macroeconomic information of the receivables, any disputes between the parties involved and the correspondence with customers on expected settlement dates. We evaluated the Group's provision policy applied from 1 January 2018, whether the provision methodology was in accordance with HKFRS 9. We discussed with management to understand the nature and the judgement involved in estimating the expected credit loss provision on trade receivables. We reviewed the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and the forward-looking adjustments used in the simplified approach and checked the mathematical accuracy of the calculations. We also reviewed the related disclosures in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

21 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**85,418**	65,665
Cost of sales		**(68,468)**	(56,403)
Gross profit		**16,950**	9,262
Other income and gains	5	**429**	26
Selling and distribution expenses		**(540)**	(523)
Administrative expenses		**(8,803)**	(13,115)
Other expenses		**–**	(14)
PROFIT/(LOSS) BEFORE TAX	6	**8,036**	(4,364)
Income tax expense	9	**(3,435)**	(1,053)
PROFIT/(LOSS) FOR THE YEAR		**4,601**	(5,417)
Attributable to:			
Owners of the parent		**4,601**	(5,417)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit/(loss) for the year	11	**RMB1.02 cents**	RMB(1.44) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**4,601**	(5,417)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,412**	606
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**3,412**	606
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,412**	606
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,013**	(4,811)
Attributable to:		
Owners of the parent	**8,013**	(4,811)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**28,739**	29,847
Prepaid land lease payments	13	**1,510**	1,549
Advance payments for property, plant and equipment		**207**	323
Total non-current assets		**30,456**	31,719
CURRENT ASSETS			
Inventories	14	**52**	42
Trade receivables	15	**17,415**	6,172
Prepayments, other receivables and other assets	16	**8,573**	8,081
Cash and cash equivalents	17	**37,318**	2,797
Total current assets		**63,358**	17,092
CURRENT LIABILITIES			
Trade payables	18	**140**	–
Other payables and accruals	19	**4,476**	8,265
Due to a director	25(b)	**–**	218
Tax payable		**3,400**	2,115
Total current liabilities		**8,016**	10,598
NET CURRENT ASSETS		**55,342**	6,494
TOTAL ASSETS LESS CURRENT LIABILITIES		**85,798**	38,213
Net assets		**85,798**	38,213
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	**4,135**	886
Reserves	21	**81,663**	37,327
Total equity		**85,798**	38,213

Liu Yong Cheng
Director

Liu Yong Qiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to owners of the parent						
	Note	Share capital RMB'000 (note 20)	Share premium* RMB'000 (note 21)	Capital reserve* RMB'000 (note 21)	Exchange fluctuation reserve* RMB'000 (note 21)	Statutory reserve* RMB'000 (note 21)	Retained profits* RMB'000	Total equity 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
At 31 December 2017		886	16,351	17,350	885	1,060	1,681	38,213
Effect of adoption of HKFRS 9	2.2	–	–	–	–	–	(49)	(49)
At 1 January 2018 (restated)		886	16,351	17,350	885	1,060	1,632	38,164
Profit for the year		–	–	–	–	–	4,601	4,601
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		–	–	–	3,412	–	–	3,412
Total comprehensive income for the year		–	–	–	3,412	–	4,601	8,013
Share issue expenses		–	(9,116)	–	–	–	–	(9,116)
Issue of shares the Company		1,015	47,722	–	–	–	–	48,737
Capitalisation of issue of shares		2,234	(2,234)	–	–	–	–	–
Transfer from retained profits		–	–	–	–	1,008	(1,008)	–
At 31 December 2018		4,135	52,723	17,350	4,297	2,068	5,225	85,798

* These reserve accounts comprise the consolidated reserves of RMB81,663,000 (2017: RMB37,327,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**8,036**	(4,364)
Adjustments for:			
Depreciation	12	**3,940**	4,058
Amortisation of prepaid land lease payments	13	**39**	39
Impairment of trade receivables	15	**5**	–
		12,020	(267)
Increase in inventories		**(10)**	(1)
Increase in trade receivables		**(11,297)**	(513)
(Increase)/decrease in prepayments, other receivables and other assets		**(3,330)**	3,205
Increase in trade payables		**140**	–
(Decrease)/increase in other payables and accruals		**(3,363)**	2,693
Cash (used in)/generated from operations		**(5,840)**	5,117
Income tax paid		**(2,149)**	(971)
Net cash flows (used in)/from operating activities		**(7,989)**	4,146
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,142)**	(751)
Net cash flows used in investing activities		**(3,142)**	(751)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares of the Company		**48,737**	886
Proceeds from issue of shares of Hongkong Hesheng International Industrial Limited ("Hesheng")		**–**	13,260
Share issue expenses		**(6,364)**	(2,138)
Decrease in amount due to directors		**–**	(10,482)
Decrease in amount due to a related party		**–**	(4,281)
Loans to directors		**–**	(25)
Repayment of loans to directors		**–**	1,091
Loans from directors		**272**	16,569
Repayment of loans from directors		**(500)**	(22,857)
Net cash flows from/(used in) financing activities		**42,145**	(7,977)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**31,014**	(4,582)
Cash and cash equivalents at beginning of year		**2,797**	7,684
Effect of foreign exchange rate changes, net		**3,507**	(305)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**37,318**	2,797
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**37,318**	2,797

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 March 2017. The registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the sale of compressed natural gas.

The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 18 May 2018.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity/ attributable to the Company	Principal activities
Zhuoyuan Enterprise Limited	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
Hubei Tonglin Natural Gas Service Company Limited* (湖北桐林石油天然氣服務有限公司)	People's Republic of China ("PRC")/ Mainland China *(Note (a))* 30 August 2007	HK$37,500,000	100% (indirect)	Sale of compressed natural gas

Note:

(a) This entity is registered as a wholly-foreign-owned enterprise under PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an 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.

2.1 BASIS OF PREPARATION *(cont'd)*

Basis of consolidation *(cont'd)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group 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 statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to statement of 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements *2014-2016 Cycle*	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 2, amendments to HKFRS 4, amendments to HKAS 40, HK(IFRIC)-Int 22 and Annual Improvements 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs amendments are described below:

(a) *HKFRS 9 Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity of 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(cont'd)*

(a) *(cont'd)*

Classification and measurement *(cont'd)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Note	Category	Amount RMB'000	Re-classification RMB'000	ECL RMB'000	Amount RMB'000	Category
Financial assets							
Trade receivables	(i)	L&R[1]	6,172	–	(49)	6,123	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	520	–	–	520	AC
Cash and cash equivalents		L&R	2,797	–	–	2,797	AC
			9,489	–	(49)	9,440	
Financial liabilities							
Financial liabilities included in other payables and accruals		AC	5,009	–	–	5,009	AC
Due to a director		AC	218	–	–	218	AC
			5,227	–	–	5,227	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 15 to the financial statements.

	Impairment under HKAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowances under HKFRS 9 at 1 January 2018 RMB'000
Trade receivables	–	49	49

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(cont'd)*

(a) *(cont'd)*

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits RMB'000
Balance as at 31 December 2017 under HKAS 39	1,681
Recognition of expected credit losses for trade receivables under HKFRS 9	(49)
Balance as at 1 January 2018 under HKFRS 9	1,632

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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 disclosures are included in note 5 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Except for the classification of consideration received from customers in advance, the adoption of HKFRS 15 had no significant impact on the Group's financial statements.

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB989,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB343,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of compressed natural gas.

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 these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB8,229,000 and lease liabilities of RMB8,404,000 will be recognised at 1 January 2019 with a corresponding adjustment to the opening balance of retained profits.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(cont'd)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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 the statement of 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 the year 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 the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 the statement of 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 the statement of 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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables.

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 classification 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 the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period 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 the statement of 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 other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and amount due to a director.

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 the statement of 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 the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

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 the year, 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 the year 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 consolidation 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 consolidation 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 the year 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 the year 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 the year.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the sale of compressed natural gas. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

(a) *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(b) *Transmission services*

Revenue from the provision of transmission services is recognised at the point in time when the services are rendered.

Other income

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue recognition (applicable before 1 January 2018)

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.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 the year. Differences arising on settlement or translation of monetary items are recognised in the statement of 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and an overseas subsidiary are currencies other than the RMB. As at the end of the year, the assets and liabilities of the Company and an overseas subsidiary are translated into RMB at the exchange rates prevailing at the end of the year 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 the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements 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 the year, 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.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 15 to the financial statement.

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 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 year, 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 the year is set out below:

	2018 **RMB'000**	2017 RMB'000
Customer 1[b]	**16,233**	17,346
Customer 2[b]	**18,963**	7,629
Customer 3	**N/A[a]**	9,699

Notes:

(a) 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 year.

(b) The customers are state-owned enterprises.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers		
Sale of compressed natural gas and liquefied natural gas	**85,012**	65,665
Transmission service	**406**	–
	85,418	65,665

(i) Disaggregated revenue information

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China in the current reporting period.

Timing of revenue recognition

All of the Group's revenue was recognised at a point in time in the current reporting period.

The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB985,000.

(ii) Performance obligations

Sale of compressed natural gas and liquefied natural gas

The performance obligation of sale of compressed natural gas and liquefied natural gas is satisfied upon delivery of the goods.

Transmission services

The performance obligation of provision for transmission services is satisfied upon services are rendered.

The remaining performance obligations as at 31 December 2018.

	2018 RMB'000
Within one year	**343**

The remaining performance obligations are expected to be recognised within one year. The amount disclosed above does not include variable consideration which is constrained.

	2018 RMB'000	2017 RMB'000
Other income and gains		
Exchange gains, net	**63**	–
Bank interest income	**20**	26
Others	**346**	–
	429	26

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		**56,136**	44,929
Depreciation	12	**3,940**	4,058
Utility expense		**3,023**	2,567
Minimum lease payments under operating leases		**1,397**	1,637
Transportation expense		**591**	521
Auditor's remuneration		**1,250**	27
Listing expenses		**4,968**	11,991
Amortisation of land lease payments	13	**39**	39
Bank interest income	5	**(20)**	(26)
Employee benefit expense (including directors' and chief executive's remuneration *(note 7)*):			
Wages and salaries		**3,404**	3,050
Pension scheme contributions		**378**	139
		3,782	3,189
Impairment of trade receivables	15	**5**	–

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Fees	**240**	–
Other emoluments:		
Salaries, bonuses, allowances and benefit in kind	**267**	264
Pension scheme contributions	**18**	18
	285	282
	525	282

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 RMB'000	2017 RMB'000
Mr. Wong Chun Peng Stewart	**80**	–
Mr. Li Wai Kwan	**80**	–
Ms. Li Helen Hoi Lam	**80**	–
	240	–

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(cont'd)*

(b) Executive directors and the chief executive

Year ended 31 December 2018	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Liu Yong Cheng*	68	6	74
Mr. Liu Yong Qiang	68	6	74
Mr. Liu Chunde	131	6	137
	267	18	285

Year ended 31 December 2017	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Liu Yong Cheng*	68	6	74
Mr. Liu Yong Qiang	68	6	74
Mr. Liu Chunde	128	6	134
	264	18	282

* Mr. Liu Yong Cheng was also the chief executive of the Company during the year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2017: two directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, bonuses, allowances and benefits in kind	203	219
Pension scheme contributions	18	18
	221	237

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	3	3

No emoluments have been paid by the Group to any directors or the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office during the year.

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 year are analysed as follows:

	2018 RMB'000	2017 RMB'000
Current – Mainland China		
Charge for the year	**3,435**	1,053
Total tax charge for the year	**3,435**	1,053

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 year.

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/(loss) before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2018 RMB'000	2017 RMB'000
Profit/(loss) before tax	**8,036**	(4,364)
Tax at the statutory tax rate of 25%	**2,009**	(1,091)
Tax effect of tax rate differences between PRC and overseas loss-making entities	**966**	908
Effect of expenses not deductible for tax	**429**	1,235
Tax losses not recognised	**31**	1
Tax charge at the Group's effective rate	**3,435**	1,053

The Group had tax losses arising in Hong Kong of RMB442,000 as at 31 December 2018 (2017: RMB254,000), 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 2018, 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 totaled approximately RMB20,632,000 as at 31 December 2018 (2017: RMB10,603,000).

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 during the year (2017: Nil).

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year is based on profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 453,082,191 (2017: 374,999,801) in issue during the year, and assuming the capitalisation issue had been completed on 1 January 2017, as further detailed in note 20 to the financial statements.

	2018 RMB'000	2017 RMB'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**4,601**	(5,417)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**453,082,191**	374,999,801

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Others RMB'000	Total RMB'000
31 December 2018						
At 31 December 2017 and 1 January 2018:						
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	**15,761**	**–**	**10,838**	**3,153**	**95**	**29,847**
At 1 January 2018, net of accumulated depreciation	**15,761**	**–**	**10,838**	**3,153**	**95**	**29,847**
Additions	**1,596**	**–**	**–**	**1,234**	**2**	**2,832**
Depreciation provided during the year *(note 6)*	**(1,125)**	**–**	**(2,100)**	**(640)**	**(75)**	**(3,940)**
At 31 December 2018, net of accumulated depreciation	**16,232**	**–**	**8,738**	**3,747**	**22**	**28,739**
At 31 December 2018:						
Cost	**22,347**	**169**	**20,919**	**7,597**	**786**	**51,818**
Accumulated depreciation	**(6,115)**	**(169)**	**(12,181)**	**(3,850)**	**(764)**	**(23,079)**
Net carrying amount	**16,232**	**–**	**8,738**	**3,747**	**22**	**28,739**
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	16,935	–	12,829	3,781	223	33,768
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 *(note 6)*	(1,174)	–	(2,105)	(628)	(151)	(4,058)
At 31 December 2017, net of accumulated depreciation	15,761	–	10,838	3,153	95	29,847
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	15,761	–	10,838	3,153	95	29,847

Certain of the Group's buildings and prepaid land lease payments (note 13) were valued at RMB11,014,000 as at 31 March 2018 in the prospectus issued on 8 May 2018 in connection with the listing of the Company's shares on 18 May 2018. Had certain of the Group's buildings and prepaid land lease payments been included in the financial statement at such valuation amount throughout the year ended 31 December 2018, an additional depreciation charge of RMB110,000 would have been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

13. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at beginning of year	**1,588**	1,627
Recognised during the year	**(39)**	(39)
Carrying amount at end of year	**1,549**	1,588
Current portion included in prepayments, other receivables and other assets	**(39)**	(39)
Non-current portion	**1,510**	1,549

14. INVENTORIES

	2018 RMB'000	2017 RMB'000
Compressed natural gas	**52**	42

15. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**17,469**	6,172
Impairment	**(54)**	–
	17,415	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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
within 3 months	**15,636**	5,837
3 to 6 months	**1,739**	63
6 to 12 months	**38**	87
1 to 2 years	**2**	185
	17,415	6,172

15. TRADE RECEIVABLES *(cont'd)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	–	–
Effect of adoption of HKFRS 9	49	–
At beginning of year (restated)	49	–
Impairment losses *(note 6)*	5	–
At end of year	54	–

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As of 31 December 2018

		Past due				
	Current RMB'000	Less than 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	Total RMB'000
Expected credit loss rate	0.31%	0.31%	0.31%	0.31%	7.65%	0.31%
Gross carrying amount (RMB'000)	9,847	5,838	1,744	38	2	17,469
Expected credit losses (RMB'000)	30	19	5	–	–	54

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	4,519
Less than 3 months past due	1,333
Over 3 months past due	320
	6,172

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

15. TRADE RECEIVABLES *(cont'd)*

Impairment under HKAS 39 for the year ended 31 December 2017 *(cont'd)*

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	**5,823**	3,966
Prepaid listing expenses	**–**	3,520
Deposits and other receivables	**2,711**	520
Prepaid land lease payments	**39**	39
Deductible input value added tax	**–**	36
	8,573	8,081

Deposits and other receivables mainly represent deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was close to zero.

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

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**37,318**	2,797
Denominated in:		
RMB	**12,378**	2,512
Hong Kong dollars	**24,940**	285
	37,318	2,797

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.

18. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	**140**	–

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

19. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Accrued liabilities	**–**	3,502
Other tax payable	**2,118**	1,321
Accrued payroll	**866**	946
Payable for purchase of property, plant and equipment	**459**	885
Contract liabilities *(note (a))*	**343**	989
Other payables	**690**	622
	4,476	8,265

Note:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advance received from customers		
Sales of goods	**343**	989

Contract liabilities include short-term advances received to deliver compressed natural gas. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to sales of compressed natural gas at the end of the year.

(b) Other payables are non-interest-bearing and repayable on demand.

20. SHARE CAPITAL

	2018 RMB'000	2017 RMB'000
Authorised 10,000,000,000 ordinary shares of HK$0.01 each	**88,632**	88,632
Issued and fully paid: 500,000,000 ordinary shares of HK$0.01 each (2017: 100,000,200)	**4,135**	886

20. SHARE CAPITAL *(cont'd)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 24 March 2017 (date of incorporation)	100,000,000	886
Issue of shares	200	–
At 31 December 2017 and 1 January 2018	100,000,200	886
Issue of shares *(note (a))*	125,000,000	1,015
Capitalisation issue of shares *(note (b))*	274,999,800	2,234
At 31 December 2018	500,000,000	4,135

Notes:

(a) In connection with the Company's initial public offering, 125,000,000 shares of HK$0.01 each were issued at a price of HK$0.48 per share for a total cash consideration, before expense, of approximately HK$60,000,000 (equivalent to RMB48,737,000).*

(b) On 18 May 2018, pursuant to the written resolutions of the shareholders of the Company passed on 20 April 2018, the directors were authorised to capitalise an amount of HK$2,749,998 or approximately RMB2,234,000 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 274,999,800 shares for allotment and issue to the persons whose name appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

* Dealings on these shares on the Stock Exchange commenced on 18 May 2018.

21. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

Share premium

The difference between the proceeds from issue of shares and nominal values of shares issued was credited to the Company's share premium accounts.

On 13 December 2017, the Company allotted and issued 71 and 29 ordinary shares to Hongsheng Enterprise Limited and Yongsheng Enterprise Limited 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.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

21. RESERVES *(cont'd)*

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.

22. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

On 13 December 2017, the Company allotted and issued 71 and 29 ordinary shares to Hongsheng Enterprise Limited and Yongsheng Enterprise Limited for the settlement of shareholders loans from Mr. Liu Yong Qiang and Mr. Liu Yong Cheng, amounting to HK$13,888,000 and HK$5,673,000, respectively.

(b) Changes in liabilities arising from financing activities

	2018 Amount due to a director RMB'000	2017 Amount due to a director RMB'000
At 1 January	**218**	33,985
Changes from financing cash flows	**(228)**	(16,770)
Non-cash transactions	**–**	(16,351)
Foreign exchange movement	**10**	(646)
At 31 December	**–**	218

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 the year, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,818**	1,818
In the second to third years, inclusive	**3,305**	3,365
After three years	**6,600**	8,250
	11,723	13,433

24. COMMITMENTS

The Group did not have any commitments at the end of reporting period (2017: Nil).

25. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	2018 RMB'000	2017 RMB'000
Loans to directors:		
Mr. Liu Yong Cheng	–	10
Mr. Liu Yong Qiang	–	10
Mr. Liu Chunde	–	5
	–	25
Loans from directors:		
Mr. Liu Yong Cheng	**272**	6,683
Mr. Liu Yong Qiang	–	9,886
	272	16,569

The loans between the Group and directors are interest-free, unsecured, repayable on demand and non-trade in nature.

(b) Outstanding balances with related parties:

	2018 RMB'000	2017 RMB'000
Due to a director:		
Mr. Liu Yong Cheng	–	218

The balance with the director is unsecured, interest-free, repayable on demand and non-trade in nature.

* Loans to directors:

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 2018 RMB'000	Maximum amount outstanding during the year ended 31 December 2017 RMB'000
Mr. Liu Yong Qiang	–	157
Mr. Liu Yong Cheng	–	140
Mr. Liu Chunde	–	794

25. RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Compensation of key management personnel of the Group:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**381**	383
Pension scheme contributions	**30**	31
Total compensation paid to key management personnel	**411**	414

Further details of directors' and the chief executive's remuneration are included in note 7 to the financial statements.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2018

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	**17,415**
Financial assets included in prepayments, other receivables and other assets	**2,711**
Cash and cash equivalents	**37,318**
	57,444

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	**140**
Financial liabilities included in other payables and accruals	**1,149**
	1,289

As at 31 December 2017

Financial assets

	Loans and receivables RMB'000
Trade receivables	6,172
Financial assets included in prepayments, other receivables and other assets	520
Cash and cash equivalents	2,797
	9,489

26. FINANCIAL INSTRUMENTS BY CATEGORY *(cont'd)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	5,009
Due to a director	218
	5,227

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, other receivables and other assets, trade payables, financial liabilities included other payables and accruals and amount due to a director 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 receivables and trade 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.

Maximum exposure and year-end staging as at 31 December 2018

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 15 to the financial statements, respectively.

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents 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 concentrations of 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 financial statements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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 the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2018				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	**140**	**–**	**–**	**–**	**140**
Financial liabilities included in other payables and accruals	**1,149**	**–**	**–**	**–**	**1,149**
	1,289	**–**	**–**	**–**	**1,289**

	As at 31 December 2017				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	5,009	–	–	–	5,009
Due to a director	218	–	–	–	218
	5,227	–	–	–	5,227

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 during the years ended 31 December 2018 and 2017.

29. EVENT AFTER THE REPORTING PERIOD

In January 2019, the Group invested a 40% interest in Guangzhou Guanghong Energy Technology Company Limited, which is engaged in sales of compressed natural gas.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS		
Investments in a subsidiary	**1**	1
CURRENT ASSETS		
Prepayments	**544**	453
Due from a subsidiary	**44,086**	15,952
Cash and cash equivalents	**13,600**	257
Total current assets	**58,230**	16,662
CURRENT LIABILITIES		
Accruals	**–**	731
Due to a subsidiary	**1,589**	–
Due to a director	**–**	218
Total current liabilities	**1,589**	949
NET CURRENT ASSETS	**56,641**	15,713
TOTAL ASSETS LESS CURRENT LIABILITIES	**56,642**	15,714
Net assets	**56,642**	15,714
EQUITY		
Share capital	**4,135**	886
Reserves *(note)*	**52,507**	14,828
Total equity	**56,642**	15,714

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(cont'd)*

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2017	–	–	–	–	–
Loss for the year	–	–	–	(1,524)	(1,524)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	1	–	1
Total comprehensive income for the year	–	–	1	(1,524)	(1,523)
Issue of shares of the Company	886	16,351	–	–	17,237
At 31 December 2017 and at 1 January 2018	886	16,351	1	(1,524)	15,714
Loss for the year	–	–	–	(3,036)	(3,036)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	4,343	–	4,343
Total comprehensive income for the year	–	–	4,343	(3,036)	1,307
Share issue expenses	–	(9,116)	–	–	(9,116)
Issue of shares of the Company	1,015	47,722	–	–	48,737
Capitalisation of issue of shares	2,234	(2,234)	–	–	–
At 31 December 2018	4,135	52,723	4,344	(4,560)	56,642

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2019.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below.

RESULTS

	For the year ended 31 December			
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**85,418**	65,665	63,696	84,003
Gross Profit	**16,950**	9,262	7,896	11,483
Profit/(loss) before income tax	**8,036**	(4,364)	5,529	8,577
Profit/(loss) for the year	**4,601**	(5,417)	3,796	6,049
Profit for the year (excluding Listing expenses)	**9,569**	6,574	3,936	6,049

ASSETS AND LIABILITIES

	As at 31 December			
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**93,814**	48,811	58,137	55,909
Total liabilities	**8,016**	10,598	45,610	50,634
Total equity	**85,798**	38,213	12,527	5,275