



United Strength Power Holdings Limited 眾誠能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2337

GLOBAL OFFERING



Sole Sponsor



Sole Global Coordinator,
Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers (in alphabetical order)



IMPORTANT

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



UNITED STRENGTH POWER HOLDINGS LIMITED

眾誠能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 58,626,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 5,864,000 Shares (subject to reallocation)
Number of International Placing Shares	: 52,762,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$2.78 per Offer Share and expected to be not less than HK\$2.18 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	: HK\$0.1 per Share
Stock code	: 2337

Sole Sponsor



Sole Global Coordinator,
Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers
(in alphabetical order)



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

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

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the matters discussed in the section headed "Risk factors" in this prospectus before making any investment decision in relation to our Company.

The Offer Price will not be more than HK\$2.78 and is currently expected to be not less than HK\$2.18. The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) the notice of such change.

The final Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, 9 October 2017 and, in any event, not later than Tuesday, 10 October 2017.

If, for any reason, the final Offer Price is not agreed by 5:00 p.m. on Tuesday, 10 October 2017 between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not become unconditional and will lapse.

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

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Public Offer Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus. Should the Sole Global Coordinator (on behalf of the Public Offer Underwriters) terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement in accordance with its terms, the Global Offering will not become unconditional and will lapse.

29 September 2017

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Public Offer, we will issue announcement in Hong Kong on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.united-strength.com.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website www.hkeipo.hk⁽⁹⁾ 11:30 a.m. on Monday, 9 October 2017

Application lists open⁽²⁾ 11:45 a.m. on Monday, 9 October 2017

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC⁽³⁾ 12:00 noon on Monday, 9 October 2017

Latest time to complete payment of **HK eIPO White Form** applications effecting internet banking transfer(s) of PPS payment transfer(s) 12:00 noon on Monday, 9 October 2017

Application lists close⁽²⁾ 12:00 noon on Monday, 9 October 2017

Expected Price Determination Date⁽⁴⁾ to be on or around Monday, 9 October 2017

Announcement of the final Offer Price, the levels of indication of interest in the International Placing, the level of applications in the Public Offer and basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁵⁾ and our Company's website at www.united-strength.com⁽⁶⁾ and in The Standard (in English) and Sing Tao Daily (in Chinese) on Friday, 13 October 2017

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — 11. Publication of results" from Friday, 13 October 2017

Results of allocations in the Public Offer to be available at www.tricor.com.hk/ipo/result with a "search by ID" function from Friday, 13 October 2017

EXPECTED TIMETABLE⁽¹⁾

Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on⁽⁷⁾ Friday, 13 October 2017

Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on⁽⁷⁾⁽⁸⁾ Friday, 13 October 2017

Dealing in the Shares on the Stock Exchange to commence on Monday, 16 October 2017

Note:

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and Sing Tao Daily (in Chinese).
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 October 2017, the application lists will not open and close on that day. Please refer to the section headed “How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Monday, 9 October 2017, the dates mentioned in this section headed “Expected timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (4) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Monday, 9 October 2017 and, in any event, not later than 5:00 p.m. on Tuesday, 10 October 2017. If, for any reason, the final Offer Price is not agreed by 5:00 p.m. on Tuesday, 10 October 2017 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.
- (5) The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.united-strength.com.
- (6) None of the websites or any of the information contained on those websites form part of this prospectus.
- (7) Applicants who apply with **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have provided all required information may collect share certificates (if applicable) and/ or refund cheques (if applicable) in person and may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017, or any other date as notified by us in the newspapers as the date of despatch of share certificates/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied on **YELLOW** Application Forms may collect their refund cheques (if applicable), in person but may not collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Friday, 13 October 2017. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through **HK eIPO White Form** service, on Friday, 13 October 2017, by ordinary post and at their own risk. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

- (8) Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.
- (9) You will not be permitted to submit your application to the **HK eIPO White Form Service Provider** through the designated website, www.hkeipo.hk, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last date for submitting applications when the application lists close.

Share certificates are expected to be issued on Friday, 13 October 2017 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

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SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.

BUSINESS OVERVIEW

We are a leading vehicle natural gas refuelling station operator in Jilin Province, the PRC. According to the F&S Report, we ranked second with a market share of 6.2% in Jilin Province’s CNG refuelling station market in terms of CNG sales volume in 2016. We primarily engage in the sales of natural gas in the form of CNG to vehicle natural gas end-users by operating CNG refuelling stations in Jilin Province under the trademark of “” and the trade name of “眾誠連鎖”. Revenue generated from sales of CNG accounted for approximately 87.2%, 92.0%, 92.8% and 92.6% of our respective total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Most of our refuelling stations were located in Jilin Province, which generated approximately 89.9%, 91.4%, 92.0% and 95.1% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. As at the Latest Practicable Date, save for one CNG station and one LPG station located in Heilongjiang Province, all of our stations were situated in Jilin Province. During the Track Record Period, we also generated revenue from our ancillary business of CNG and LPG wholesale, which constituted nil, nil, approximately 5.6% and 0.6% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively.

As at the Latest Practicable Date, our Group operated 14 Self-owned Refuelling Stations, six Jointly-owned Refuelling Stations and five Yitonghe Entrusted Refuelling Stations, which we operated pursuant to the entrustment agreements entered into between us and Changchun Yitonghe, a connected person to our Group, from time to time and will be operated under the Gas Business Entrustment Agreement entered into between Changchun Yitonghe and Changchun Sinogas on 19 September 2017. For details of the three types of stations and details of the Gas Business Entrustment Agreement, please refer to the sections headed “Business — Our refuelling station network” and “Connected transaction — Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in the prospectus, respectively.

Our refuelling stations are equipped with fuel dispensers connected to computerised control panels. The control panels are installed with uniform sales management software and are linked to our servers maintained by our IT service provider, Jilin Yafei Technology, a connected person to our Group, thereby enabling us to adjust the selling price, record and monitor sales at each stations, complete payment by transferring balances from our customers’ pre-paid accounts on a real-time basis and implement our membership programme by our management team via computers which allow access to the data on the servers. We believe our sophisticated sales management system fosters efficiency and lays the foundation for our future expansion.

SUMMARY

Leveraging on our established presence in Jilin Province, stable relationship with our suppliers and major customers, and our experienced and stable professional management team, we achieved stable growth in sales volume and earnings for the three years ended 31 December 2016. Our CNG sales volume increased from approximately 51.5 million m³ in 2014 to 75.4 million m³ in 2016, representing a CAGR of approximately 21.0%. Our gross profit increased from approximately RMB44.1 million in 2014 to RMB87.0 million in 2016. For the three months ended 31 March 2017, our CNG sales volume decreased from 18.9 million m³ for the three months ended 31 March 2016 to 15.0 million m³ due to (i) cessation of operation of refuelling stations in Liaoning Province and (ii) increased competition faced by certain refuelling stations located in Changchun City. Nevertheless, the gross profit and gross profit margin recorded a moderate increase for the same period. For discussion of our financial results during the Track Record Period, please refer to the section headed “Financial information — Results of operations” in this prospectus.

OUR PRODUCTS

We offer three vehicle gas products, namely CNG, LPG, and LNG. Whilst CNG and LNG are natural gas in different forms, LPG is not a natural gas product. During the Track Record Period, retail sales of CNG contributed to approximately 87.2%, 92.0%, 89.0% and 92.6% of our revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. In light of the government’s promotion of CNG as a clean energy source, we strive to develop CNG refuelling stations business and recorded moderate increase of sales volume of CNG from 51.5 million m³ in 2014 to 65.6 million m³ in 2015 and to 75.4 million m³ in 2016, while a moderate setback in sales volume of CNG for the three months ended 31 March 2017 was recorded due to (i) cessation of operation of refuelling stations in Liaoning Province and (ii) increased competition faced by certain refuelling stations located in Changchun City.

According to the F&S Report, the LNG refuelling station industry is still in the initial developing stage in Jilin Province and the LPG vehicles have been gradually replaced by CNG vehicles. Accordingly, our turnover and sales volume of both LPG and LNG decreased during the Track Record Period, with retail LPG sales contributing to approximately 11.3%, 7.1%, 5.0% and 6.3% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively and LNG contributing to approximately 1.5%, 0.9%, 0.5% and 0.5% of our total revenue for the same period. As such, we intend to focus on development of CNG refuelling stations business. During the Track Record Period, the average retail selling price for CNG, LPG and LNG recorded a general decreasing trend. The sales volume, revenue and average unit price for each of the products during the Track Record Period are set out in the following table:

	Year ended 31 December									Three months ended 31 March					
	2014			2015			2016			2016			2017		
	Sales volume	Revenue	Average unit price ⁽¹⁾	Sales volume	Revenue	Average unit price ⁽¹⁾	Sales volume	Revenue	Average unit price ⁽¹⁾	Sales volume	Revenue	Average unit price ⁽¹⁾	Sales volume	Revenue	Average unit price ⁽¹⁾
RMB'000			RMB'000			RMB'000			RMB'000			RMB'000			
CNG (million m ³)	51.5	219,532	RMB4.3/m ³	65.6	268,824	RMB4.1/m ³	75.4	254,859	RMB3.4/m ³	18.9	65,260	RMB3.5/m ³	15.0	51,790	RMB3.5/m ³
LPG (tonne)	4,192	28,489	RMB6.796/tonne	3,569	20,748	RMB5.813/tonne	3,993	18,484	RMB4.629/tonne	734	3,933	RMB5.358/tonne	720	3,851	RMB5.349/tonne
LNG (tonne)	593	3,757	RMB6.336/tonne	466	2,555	RMB5.483/tonne	273	1,262	RMB4.623/tonne	63	311	RMB4.937/tonne	61	279	RMB4.574/tonne
Total		<u>251,778</u>			<u>292,127</u>			<u>274,605</u>			<u>69,504</u>			<u>55,920</u>	


SUMMARY

Note (1): Average unit price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the respective period.

The decreasing trend of our average retail selling price of all of our products during the three years ended 31 December 2016 was primarily attributable to (i) increased supply of natural gas in Northeast China as a result of the completion of Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線) in 2015; (ii) decreased upper stream gas price induced by the downward adjustment of Urban Gate Station Prices set by NDRC in November 2015; and (iii) decrease in the price of international crude oil. The average selling price for CNG and LPG for the three months ended 31 March 2017 was relatively stable as compared to the three months ended 31 March 2016 while the downward trend of LNG average selling price continued from the previous years. For detailed explanation of the fluctuation of the average unit price and gross profit margin of our products, please refer to the section headed “Financial information — Statements of profit or loss line items — Average selling price of CNG, LPG and LNG” in this prospectus.

According to our PRC Legal Advisers, price control over the urban gate stations and the retail selling price at refuelling stations prevail but vary in different regions. The selling price of our natural gas products can be affected by a range of factors, including the purchase price of gas. The price at which gas is sold at urban gate stations is regulated by the PRC pricing authority. When the price at urban gate station is adjusted, our purchase price generally changes accordingly due to the price-conduction mechanism in the industry. As at the Latest Practicable Date, there is no price control on the retail price for natural gas products sold at refuelling stations in Jilin Province. Although there is price control over the retail price for natural gas products sold at refuelling stations in Heilongjiang Province, our Group’s business was not materially impacted by such price control given our limited operation in Heilongjiang Province during the Track Record Period. For discussion of pricing of our products, please refer to the section headed “Business — Pricing” in this prospectus.

OUR REFUELLING STATIONS

As at the Latest Practicable Date, we operated 25 refuelling stations, which can be categorised into (i) Self-owned Refuelling Stations; (ii) Jointly-owned Refuelling Stations; and (iii) Yitonghe Entrusted Refuelling Stations. While we own the licences and equipment of Self-owned Refuelling Stations and Jointly-owned Refuelling Stations necessary for their operation, we do not own the licences and equipment of Yitonghe Entrusted Refuelling Stations which belong to Changchun Yitonghe, our Connected Person, but operate the Yitonghe Entrusted Refuelling Stations pursuant to the entrustment agreements entered into between Changchun Yitonghe and Longjing United Strength. These entrustment agreements will be replaced by the Gas Business Entrustment Agreement upon Listing. For details of the Gas Business Entrustment Agreement, please refer to the sections headed “Relationship with our Controlling Shareholders” and “Connected transactions” in this prospectus. Apart from the difference in ownership of licences and equipment, the three types of stations also differ in trade name usage. We operate the Self-owned Refuelling Stations and Yitonghe Entrusted Refuelling Stations under the trademark of “” and the trade name of “眾誠連鎖” while the Jointly-owned Refuelling Stations, which were acquired from Shenzhen Sinogas in November 2014 and jointly owned by Jilin Petroleum, a state-owned company, use the trade name of a state-owned

SUMMARY

energy enterprise. Despite the differences in ownership of licences and equipment, the operation processes involved in each type of stations are substantially the same. For details of the location and type of stations, please refer to the section headed “Business — Our refuelling station network” in this prospectus.

OUR CUSTOMERS

We primarily sell our CNG at our refuelling stations to end-customers who are drivers of public transportation vehicles such as buses, taxis, long-distance transportation trucks and private vehicle owners. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, our five largest customers in aggregate amounted to approximately RMB7.8 million, RMB14.3 million, RMB20.1 million and RMB2.0 million, which accounted for approximately 3.1%, 4.9%, 7.3% and 3.7%, of our total revenue of the corresponding periods, respectively. Our largest customer contributed to approximately 1.4%, 2.4%, 1.9% and 1.5%, of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. For the year ended 31 December 2016, we entered into ancillary wholesale transactions with the top three customers while one of the top five customers for the three months ended 31 March 2017 was a wholesale customer. For details of the wholesale transactions, please refer to the section headed “Business — Our sales model — Ancillary wholesale business” in this prospectus.

To the best knowledge and belief of our Directors, two of our five largest customers during the Track Record Period, namely (i) Jieli Logistics, which is a connected person and (ii) a customer engaging in the business of natural gas refuelling station operation (“**Customer A**”), were also two of our major suppliers. For details of transactions with Jieli Logistics and Customer A, please refer to the section headed “Business — Entities who are our customers and also our suppliers” in this prospectus.

OUR RAW MATERIALS AND SUPPLIERS

Our refuelling station operation primarily incurs costs for procuring CNG, LPG, LNG and other costs incurred in transporting the raw materials to the relevant station. CNG is the primary raw material for our business. Procurement of CNG represented approximately 86.0%, 91.3%, 91.9% and 91.4% of our total cost of sales for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. As we procure our fuel from midstream suppliers and the purchase price of fuel are subject to fluctuation beyond our control, we face risks associated with fluctuation in fuel costs.

The table below sets forth the average cost by product type for the periods indicated and the year to year percentage change in average cost by product type:

	Year ended 31 December					Three months ended 31 March		
	2014	2015	YoY	2016	YoY	2016	2017	YoY
			percentage		percentage			percentage
RMB/unit	RMB/unit	change	RMB/unit	change	RMB/unit	RMB/unit	change	
		%		%			%	
CNG (/m ³)	3.47	3.04	(12.4)	2.29	(24.7)	2.59	2.18	(15.8)
LNG (/tonne)	5,167	3,798	(26.5)	2,733	(28.0)	3,444	3,049	(11.5)
LPG (/tonne)	6,198	4,800	(22.6)	3,638	(24.2)	4,301	4,032	(6.3)

SUMMARY

Note: Average cost is calculated by the cost of sales of each product during the respective period divided by the sales volume for each product during the respective period.

We manage the aforesaid risks arising from fluctuation of fuel costs primarily by adopting flexible pricing strategy by adjusting the retail prices when there is material change in fuel price, and by maintaining low level of natural gas inventory. For stations which are in proximity to our competitors, our station managers would observe, record and report the prices charged by the competitors on daily basis so that an optimal price could be set, recommended and sent to the operation team at the main office in Changchun City for approval. The operation team reviews and approves recommendation for adjustment of retail price on daily basis. Once a proposed adjustment is approved, we could administer the price adjustment on real-time basis with our Transaction Recording Software. In determining how to react to a change in price charged by our competitors, the operation team at the main office takes into account (i) our Group's overall sales strategies and its sales strategies for each station; (ii) the existing profit margin of the relevant station; (iii) the level of competition in the vicinity; (iv) the sales strategies adopted by its competitors, such as expected duration of the price cut/hike of the competitor; and (v) the fuel purchase price. Since we typically price our products at each station with reference to, among other factors, our competitors' price, the frequency of price adjustment of each station also varies with the number of competitors in the vicinity and the frequency of price adjustment by our competitors. Our Directors confirm that during the Track Record Period, significant price adjustment was infrequent while minor adjustments could be made on daily basis with the assistance of our Transaction Recording Software. In view of (i) the decreasing trend of fuel price during the Track Record Period and (ii) our effective risks management measures in respect of fuel cost fluctuation, we were not involved in hedging of fuel price during the Track Record Period. For details of how we manage the risks associated with fluctuation of fuel costs, please refer to the sections headed "Business — Pricing" and "Business — Inventory control" in this prospectus.

During the Track Record Period, our largest supplier accounted for 26.4%, 25.1%, 24.1% and 25.7% of our total purchases for the years ended 31 December 2014, 2015, 2016 and the three months ended 31 March 2017, respectively. Our five largest suppliers in aggregate accounted for approximately 75.0%, 67.7%, 56.0% and 66.5% of our total purchase during the same periods respectively. During the Track Record Period, 29.8%, 42.5%, 9.7% and nil of our total purchase amount arising from purchase from the top five suppliers during the Track Record Period were attributable to connected persons of our Group. Please refer to the section headed "Connected transactions" in this prospectus for further details.

COMPETITION

CNG refuelling station industry

According to the F&S Report, CNG refuelling station industry in Jilin Province is fragmented with the top three market players all being regional independent operators and taking over around 27.3% of the market share in terms of CNG sales volume in 2016. The top three market players took over 53 CNG refuelling stations in Jilin Province and accounted for approximately 20.1% of the stations in Jilin Province. A large majority of CNG refuelling stations in Jilin Province are small-scale

SUMMARY

stations and operated by local private companies which only operate one to two stations. Our Group ranked second in terms of the sales volume of CNG in Jilin Province's CNG refuelling station market in 2016. Going forward, we intend to leverage on our leading position in the gas refuelling station market in Jilin Province, our stable relationship with our major customers and suppliers, and our experienced and professional management team to expand our CNG refuelling station network and consolidate our market share in Jilin Province. On national level, we are a relatively small-size vehicle CNG refuelling station operator in the PRC. As such, our bargaining power for procuring fuel and our pricing power could be lower than operators of larger scale, such as the Big Three Oil Giants, who are also midstream and/or upstream fuel suppliers. As such, if and when the Big Three Oil Giants expand in the gas refuelling station market in Jilin Province, we may not be able to maintain our profit margin at the existing level as competition (including price competition) could intensify.

New Energy Vehicles

The demand for our business is also affected by the availability and cost of vehicles using alternative fuels. In particular, as governmental support on other New Energy Vehicles such as electric vehicles strengthens and as technological advancement improves fuel efficiency and battery life, the popularity of New Energy Vehicles poses a certain degree of threats to the growth of the CNG refuelling station industry. If governmental support for New Energy Vehicles outweighs that for natural gas vehicles, our business operation could be significantly and adversely affected as a result of decreased demand for natural gas refuelling services. Please refer to the section headed "Risk factors — Risks relating to our business and industry — Competition from alternative vehicle fuels could be intensified, particularly with technological advancement of and increasing governmental support for electric vehicles, and may reduce the demand for our natural gas refuelling services" in this prospectus for details.

OUR COMPETITIVE STRENGTHS

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

- we are one of the leading vehicle gas refuelling station operators with well-established presence and safety performance in Jilin Province;
- we are strategically located in Northeast China which enables us to benefit from the significant growth of the vehicle gas refuelling station markets, as well as the supportive government policies in this region;
- we have established stable rapport with our major customers and suppliers; and
- we are led by an experienced, stable and professional management team.

SUMMARY

OUR BUSINESS STRATEGIES

Our goal is to further strengthen our regional market leading position in Jilin Province. To this end, we plan to implement the following strategies:

- expand our CNG refuelling stations network in Jilin Province by acquiring companies with CNG refuelling station business;
- strengthen our marketing and promotional strategies; and
- enhance our service quality.

OUR HISTORY AND SHAREHOLDER INFORMATION

Immediately following completion of the Global Offering, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Golden Truth will directly hold approximately 55.5% of the issued share capital of our Company. Golden Truth is wholly owned by Mr. Zhao, being one of our founders, executive Director and Chairman. For the purpose of the Listing Rules, Golden Truth and Mr. Zhao are our Controlling Shareholders as at the Latest Practicable Date.

Prior to the Reorganisation, our Group's Gas Refuelling Business was developed under Changchun Yitonghe and most of our Group's Gas Refuelling Business was operated by our PRC Operating Subsidiaries which were owned or controlled by Changchun Yitonghe (except Changchun Sinogas which was wholly owned by China Source BVI immediately before the Reorganisation). As at the Latest Practicable Date, Changchun Yitonghe was owned as to 74%, 15%, 10% and 1% by Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang, respectively. As at the Latest Practicable Date, Mr. Zhao and Mr. QG Wang have ceased to be directors of Changchun Yitonghe. During the Reorganisation, most of our PRC Operating Subsidiaries engaging in the Gas Refuelling Business, together with the refuelling stations owned by such subsidiaries, were transferred by Changchun Yitonghe to our Group. As at the Latest Practicable Date, our Group's principal business was the Gas Refuelling Business.

As at the Latest Practicable Date, our Group focused on Gas Refuelling Business and Yitonghe Group focused on Petroleum Refuelling Business, respectively. Differing from the traditional petroleum used by vehicles with gasoline-powered engines, CNG and LPG run with CNG-combusted and LPG-combusted engines. In respect of the supply and costs mechanism, energy efficiency of gas engines and environmental-friendliness, the market of the distribution of CNG/LPG and that of petroleum/oil are different. It is therefore unlikely that Yitonghe Group could feasibly compete with us or solicit our customer base, being mostly vehicle end-users with vehicles running on CNG/LPG.

For details of our history and our major shareholders, please refer to the sections headed "History, reorganisation and development" and "Relationship with our Controlling Shareholders" in this prospectus.

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During the Track Record Period, we entered into certain transactions with connected persons of our Company. These transactions will continue after the Listing Date, thereby constituting continuing connected transactions of our Company under the Listing Rules, and include, amongst others: (i) Software Copyright Agreement for the transfer of software copyright and supply of software maintenance services to our Group; (ii) supply of CNG by our Group; (iii) entrustment to our Group for operation and management of Gas Refuelling Business; (iv) entrustment by us to Changchun Yitonghe for operation and management of Petroleum Refuelling Business; (v) leasing of land and property to our Group; (vi) leasing of petroleum refuelling station and land by our Group to PetroChina Changchun Sales Branch; (vii) transportation services provided to our Group; and (viii) acquisition of gas transportation vehicles by our Group.

We expect the non-exempt continuing connected transactions (items (vii) and (viii) above) will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirement once the Shares are listed on the Stock Exchange in respect of such non-exempt continuing connected transactions. Please refer to the section headed "Connected transactions — Non-exempted continuing connected transactions" in this prospectus for further information.

KEY OPERATIONAL AND FINANCIAL DATA

The tables below set forth summary of financial information of our Group for the periods indicated and should be read in conjunction with our financial information in Appendix I to this prospectus.

Highlight of consolidated statements of profit or loss

	Years ended 31 December			Three months ended 31	
				March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	251,778	292,127	274,605	69,504	55,920
— CNG	219,532	268,824	254,859	65,260	51,790
— LPG	28,489	20,748	18,484	3,933	3,851
— LNG	3,757	2,555	1,262	311	279
Gross Profit	44,119	73,907	86,998	17,110	19,997
— CNG	40,923	69,506	82,524	16,240	18,956
— LPG	2,503	3,616	3,958	776	948
— LNG	693	785	516	94	93
Profit from operations	18,650	36,347	45,862	7,632	3,361
Profit for the year/period	9,164	28,260	34,626	5,711	1,546

SUMMARY

Highlight of consolidated statements of financial position

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	117,815	100,510	108,035	108,719
Current assets	47,058	56,370	97,374	46,933
Current liabilities	75,769	43,433	57,722	62,068
Net current (liabilities)/assets	(28,711)	12,937	39,652	(15,135)
Non-current liabilities	5,708	5,371	5,034	4,950
Net assets	83,396	108,076	142,653	88,634

Our Group recorded net current liabilities of approximately RMB28.7 million as at 31 December 2014 as a result of bank loans of approximately RMB48.8 million. Due to our strong operating cash inflow during the year ended 31 December 2015, we recorded net current assets of approximately RMB12.9 million as at 31 December 2015. Our net current assets as at 31 December 2016 further increased to RMB39.7 million as we recorded amount due from related parties of approximately RMB49.1 million resulting from the charges in relation to the refuelling stations under the entrusted operation arrangement. We recorded net current liabilities of approximately RMB15.1 million as at 31 March 2017 compared to net current assets of approximately RMB39.7 million as at 31 December 2016 mainly resulting from our Group's payments for acquisition of the entire equity interests of Changchun Sinogas at a consideration of RMB20 million, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe's then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB55.8 million in March 2017 and partially offset by proceeds received from the issuance of Shares of RMB20.0 million pursuant to the Reorganisation completed in March 2017. As at 31 August 2017, amounts due from Changchun Yitonghe amounted to approximately RMB7.6 million, which was primarily the combination of (i) the net amounts of the operating results of the Yitonghe Entrusted Refuelling Stations and Group Entrusted Refuelling Stations; and (ii) the net amounts of working capital paid/received on behalf of Changchun Yitonghe. Our net current liabilities decreased from approximately RMB15.1 million as at 31 March 2017 to approximately RMB2.8 million as at 31 August 2017 primarily due to the continuous net profit generated from the operation.

SUMMARY

Highlight of consolidated cash flow statements

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	18,785	44,662	42,262	10,692	6,600
Net cash (used in)/generated from investing activities	(26,144)	26,403	(5,860)	(236)	(91,419)
Net cash (used in)/generated from financing activities	<u>(9,565)</u>	<u>(55,399)</u>	<u>(33,257)</u>	<u>(17,807)</u>	<u>77,500</u>
Net (decrease)/increase in cash and cash equivalents	(16,924)	15,666	3,145	(7,351)	(7,319)
Cash and cash equivalents at beginning of year/period	<u>23,729</u>	<u>6,805</u>	<u>22,471</u>	<u>22,471</u>	<u>25,616</u>
Cash and cash equivalents at the end of year/period	<u><u>6,805</u></u>	<u><u>22,471</u></u>	<u><u>25,616</u></u>	<u><u>15,120</u></u>	<u><u>18,297</u></u>

Key financial ratios

	Years ended/As at 31 December			Three months ended/ As at 31 March
	2014	2015	2016	2017
	Gross profit margin ⁽¹⁾	17.5%	25.3%	31.7%
Net profit margin ⁽²⁾	3.6%	9.7%	12.6%	2.8%
Return on equity ⁽³⁾	11.0%	26.1%	24.3%	7.0% ⁽⁷⁾
Return on total assets ⁽⁴⁾	5.6%	18.0%	16.9%	4.0% ⁽⁷⁾
Current ratio ⁽⁵⁾	0.6	1.3	1.7	0.8
Debt to equity ratio ⁽⁶⁾	1.0	0.5	0.4	0.8

Notes:

- (1) Gross profit margin is calculated based on gross profit of the period divided by revenue of the respective period and multiplied by 100%.
- (2) Net profit margin is calculated based on profit of the period divided by revenue of the respective period and multiplied by 100%.

SUMMARY

- (3) Return on equity is calculated based on the net profit of the period divided by the total equity at the end of the respective period and multiplied by 100%.
- (4) Return on total assets is calculated based on the net profit of the period divided by the total assets at the end of the respective period and multiplied by 100%.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective date.
- (6) Debt to equity ratio is calculated based on total liabilities divided by the total equity as at the respective date.
- (7) This is an annualised number based on the profit for the three months ended 31 March 2017, and hence may not be comparable to the return on equity/total assets ratio based on the full year profit for the years ended 31 December 2014, 2015 and 2016.

During the Track Record Period, both of our gross profit margin and net profit margin experienced an upward trend. The increase in gross profit margin was primarily due to (i) the decrease in the unit cost of procuring CNG from suppliers of our Group, caused by decrease in the price of international crude oil and the lowering of the Urban Gate Station Price, coupled with the increase in supply of natural gas in Northeast China as a result of the completion of the Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線); and (ii) the less than proportional decrease in average selling price of CNG during the period, which was mainly attributable to further acceleration of the market-oriented reform of natural gas price whereby the selling price of natural gas for vehicles should be liberalised and determined by the selling enterprises under the premises of stable supply and full competition of the vehicle natural gas market. As a consequence of the increase in gross profit margin, our net profit margin also increased despite the increase was partially offset by the growth in administrative expenses for the three years ended 31 December 2016. For the three months ended 31 March 2017, our net profit and net profit margin experienced a year-on-year decrease primarily due to incurrence of Listing expenses.

Our current ratio experienced a decrease for the three months ended 31 March 2017 primarily due to our Group's payments for acquisitions of the entire equity interests of Changchun Sinogas at a consideration of RMB20.0 million, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe's then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB55.8 million in March 2017 and partially offset by proceeds received from the issuance of shares of RMB20.0 million pursuant to the Reorganisation. Our debt to equity ratio experienced an increase for the three months ended 31 March 2017 primarily due to the decrease in our equity base of RMB54.0 million mentioned above as a result of the Reorganisation coupled with an increase in our total liabilities as a result of the increase in amounts due to related parties in relation to sums received on behalf of Changchun Yitonghe.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Based on our Group's unaudited financial information for the three months ended 30 June 2017, our operation and financial results remained relatively stable since 31 March 2017 and up to the Latest Practicable Date, save and except for the temporary decrease in revenue for the two months ended 31 May 2017, which was primarily due to the decrease in sales volume of CNG during the same period as a result of the temporary increased price competition faced by certain gas refuelling stations in Changchun City during the period. As our Directors anticipated that the price competition faced would be temporary, our Directors chose not to cut price, which resulted in the decrease in sales volume and sales revenue at the relevant stations. Revenue for the month ended 30 June 2017 recorded a gradual increase as the sales volume of CNG rebounded from the temporary decrease and gradually increased as the price competition softened. With effective pricing strategy applied by our Group, despite the decrease in revenue for the two months ended 31 May 2017, our gross profit margin continued its increasing trend over the first half of 2017 primarily due to the decrease in unit cost of procuring CNG from suppliers of our Group coupled with the relatively stable average selling price of CNG, LPG and LNG in spite of the general and moderate decreasing trend of the average selling prices of CNG, LPG and LNG during the Track Record Period. Our Directors are not aware of reversal of the overall decreasing trend of retail selling prices for CNG, LPG and LNG during the Track Record Period. Our Directors are of the view that if the overall decrease in the average selling price continues as recorded during the Track Record Period and if the upcoming sales volume experiences decrease at a similar level as recorded during the six months ended 30 June 2017, our revenue for the year ending 31 December 2017 may record a year-on-year decrease.

As far as our Directors are aware, save for the expenses in connection to the Listing and the continued decreasing trend of overall retail selling prices for CNG, LPG and LNG, there was no material adverse change in the market condition or regulatory conditions in our industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of our Group since 31 March 2017 and up to the date of this prospectus. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 March 2017 being the date to which our latest audited financial information was prepared up to the date of this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and it is estimated to be approximately HK\$39.1 million, of which (i) approximately HK\$11.9 million have already been reflected in the consolidated statements of profit or loss of our Group for the Track Record Period, and approximately HK\$14.6 million is expected to be reflected in the consolidated statements of profit or loss of our Group after the Track Record Period; and (ii) approximately HK\$12.6 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity. Accordingly, approximately HK\$26.5 million had been or is expected to be reflected in our consolidated statements of profit or loss. Listing expenses are non-recurring in nature but based on the aforesaid, we expect that it will materially affect our Group's financial performance and results of operations for the year ending 31 December 2017.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$2.48 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.18 to HK\$2.78 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$106.2 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

1. approximately 90%, or HK\$95.6 million (equivalent to approximately RMB80.2 million), of the net proceeds from the Global Offering will be used to finance the expansion of our CNG refuelling station network. We plan to use the funds for the acquisition of six CNG refuelling station businesses. In terms of timing of the investment, we plan to invest HK\$63.7 million in 2018 and HK\$31.9 million in 2019;
2. approximately 5%, or HK\$5.3 million (equivalent to approximately RMB4.4 million), of the net proceeds from the Global Offering will be used to strengthen our customer services, marketing and promotion strategies; and
3. approximately 5%, or HK\$5.3 million (equivalent to approximately RMB4.4 million), of the net proceeds from the Global Offering will be used for our general working capital.

For further details of our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

DIVIDEND

Save for the declaration of dividends in the amount of RMB3.6 million for the year ended 31 December 2015, which were settled in 2016, we did not declare dividends during the Track Record Period.

Our Company currently does not have a dividend policy or any pre-determined dividend distribution ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. Directors shall decide and recommend the amount of dividends (or decide not to recommend any dividend) based on our earnings, cash flows, financial condition, capital requirements, future plans of our Group and any other conditions that our Directors deem relevant at such time. The foregoing, including our dividend distribution record, should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. There is no guarantee or representation or indication that our Directors must or will recommend and that our Group must or will pay dividends or declare and pay dividends at all.

SUMMARY

SUMMARY OF MATERIAL RISK FACTORS

The major risks involved in our business operation are:

- Our gross profit margin and growth in profit may fluctuate as our purchase price and selling price of CNG are sensitive to factors beyond our control;
- We require various licences and permits to commence, operate and expand our operation. Any failure to obtain or renew any or all of the licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans;
- Competition from alternative vehicle fuels could be intensified, particularly with technological advancement of and increasing governmental support for electric vehicles, and may reduce the demand for our natural gas refuelling services;
- Our business and operating results depend heavily on the economic and social conditions and prosperity of Jilin Province and its vicinity as most of our gas refuelling stations are located in Jilin Province;
- Termination of the Gas Business Entrustment Agreement Contracts may adversely affect our business;
- Stable CNG supply and gas transportation service are crucial to our business and our operation may be significantly interrupted if we fail to secure stable CNG supply and gas transportation service;
- We may not be able to secure locations of our refuelling stations on commercially acceptable terms, if at all or at locations with favourable operation environment;
- Given our relatively small business scale in the PRC, we are particularly vulnerable to risks arising from PRC government's price control regime for retail vehicle fuels and increasing marketisation of fuel retail price may result in intensified price competition, which would have a disproportionate adverse impact on our operation; and
- Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business.

SUMMARY

A detailed discussion of the aforesaid and other risk factors is set out in the section headed “Risk factors” in this prospectus. You should carefully consider the information contained therein before making any investment decision in relation to our Offer Shares.

LEGAL COMPLIANCE

During the Track Record Period, we did not fully comply with the applicable PRC laws and regulations in respect of obtaining construction project approval from the environmental authorities. For details regarding the non-compliance incidents, the remedial measures taken, the relevant risks and internal control measures adopted, please refer to the section headed “Risk factors” and the sections headed “Business — Legal proceedings and non-compliance matters” and “Business — Internal control measures to prevent reoccurrence of non-compliance incidents” in this prospectus.

GLOBAL OFFERING STATISTICS

	Based on the minimum Offer Price of HK\$2.18 per Offer Share	Based on the maximum Offer Price of HK\$2.78 per Offer Share
Market capitalization of the Shares	HK\$511.2 million	HK\$651.9 million
Unaudited pro forma adjusted net tangible assets of our Group per Share	HK\$0.85	HK\$1.00

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme.
- (2) The market capitalisation is calculated based on 234,502,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to Appendix II to this prospectus and on the basis of a total of 234,502,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme).

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by the reporting accountants set out in Appendix I to this prospectus
“AIC”	Administration for Industry and Commerce, which are the local counterparts of the State Administration for Industry and Commerce
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of forms which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Big Three Oil Giants”	upstream natural gas companies which controlled majority of the vehicle natural gas supply for the operation of natural gas refuelling stations, collectively, CNPC, Sinopec Corporation and China National Offshore Oil Corporation
“Board”, “Board of Directors” or “our Board”	the board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong or days on which a tropical cyclone warning no.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 175,875,000 new Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company upon completion of the Global Offering as referred to in paragraph 1.3 under Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Changchun Longxing”	Changchun Longxing LPG Company Limited (長春隆興液化氣有限公司), a limited liability company established under the laws of PRC on 22 January 1997, which was owned as to 99% by United Strength Investment and 1% by Mr. Zhao as at the Latest Practicable Date and it is a connected person of our Company
“Changchun Sinogas”	Changchun Sinogas Company, Ltd. (長春中油潔能燃氣有限公司, formerly named Changchun Sinogas Company, Ltd. (長春環球潔能燃氣有限公司)), a limited liability company established under the laws of PRC on 18 July 2005 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“Changchun Yitonghe”	Changchun Yitonghe Petroleum Distribution Company Limited (長春伊通河石油經銷有限公司), a limited liability company established under the laws of PRC on 7 April 1997, which was owned as to 74% by Mr. Zhao, 15% by Ms. Xu, 10% by Mr. Liu and 1% by Mr. QG Wang as at the Latest Practicable Date and it is a connected person of our Company
“China” or “PRC” or the “People’s Republic of China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“China Source BVI”	China Source Enterprises Limited (華資企業有限公司), a company incorporated under the laws of BVI on 26 April 2005 with limited liability, which was owned as to 74% by Mr. Zhao, 15% by Ms. Xu, 10% by Mr. Liu and 1% by Mr. QG Wang as at the Latest Practicable Date, and it is a connected person of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CNPC”	China National Petroleum Corporation (中國石油氣天然氣集團公司), a wholly owned subsidiary of the State Council established under the laws of PRC on 9 February 1990, and as at the Latest Practicable Date, it is a connected person of our Company
“Co-Lead Managers”	CNI Securities Group Limited and Head & Shoulders Securities Limited
“Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “COWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	United Strength Power Holdings Limited (眾誠能源控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 19 December 2016
“Connected Person(s)” or “connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company, refers to Mr. Zhao and Golden Truth
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 21 September 2017 and made by our Controlling Shareholders in favour of our Company and its subsidiaries in respect of taxation and other indemnities referred to in paragraph 4.1 under Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition and other undertakings dated 21 September 2017 and made by our Controlling Shareholders in favour of our Company, which contains certain non-compete undertakings and other undertaking given in favour of our Company, further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Dynamic Fame”	Dynamic Fame Global Limited, a company incorporated under the laws of BVI on 4 October 2016 with limited liability, which was wholly owned by Ms. Xu as at the Latest Practicable Date, and is a Substantial Shareholder holding 15% of the total issued share capital of our Company as at the Latest Practicable Date
“EIT”	enterprise income tax
“Entrusted Refuelling Station(s)”	gas refuelling station(s) operated by our Group under entrustment agreement(s), whereby owner(s) of licences and equipment of refuelling stations enter into agreement with station operators to entrust the management of the relevant station in return for an entrustment fee, which include(s) but not limited to, the Yitonghe Entrusted Refuelling Stations entered into with Changchun Yitonghe from time to time during the Track Record Period
“Environmental Construction Regulations”	the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) of the PRC
“foreign currency(ies)”	currencies other than the functional currency of our Company
“F&S” or “Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry research consultant commissioned by us to prepare the F&S Report and an Independent Third Party
“F&S Report”	the industry research report prepared by Frost & Sullivan
“Gas Business Entrustment Agreement”	the agreement entered into between Changchun Yitonghe as entrusting party and Changchun Sinogas as operating party dated 19 September 2017 granting our Group the right to operate and manage the Yitonghe Entrusted Refuelling Stations and use all assets, property, land, and equipment necessary for such operation and management

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“Gas Refuelling Business”	the distribution of CNG, LNG and/or LPG to vehicular end-users by operating gas refuelling stations, which is the principal business of our Group
“Gas Vehicle(s)”	includes natural gas (CNG and LNG) vehicles and LPG vehicles
“GDP”	gross domestic product
“Global Offering”	collectively, the Public Offer and the International Placing
“Golden Truth”	Golden Truth Holdings Limited, a company incorporated under the laws of BVI on 29 September 2016 with limited liability, which was wholly owned by Mr. Zhao as at the Latest Practicable Date, and is a Controlling Shareholder
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Group Entrusted Refuelling Stations”	the two Mixed Refuelling Stations (registered under Longjing United Strength Energy Development Company Limited Longhe Mixed Petroleum and Gas Refuelling Station (龍井眾誠能源發展有限公司龍和加油加氣合建站) and Liaoyuan City Hengtai Clean Energy Company Limited Gongyuan Petroleum and Gas Refuelling Station (遼源市恒泰清潔能源有限公司公園加油加氣站)) which have been operated by both our Group (as to the Gas Refuelling Business) and Changchun Yitonghe (as to the Petroleum Refuelling Business) pursuant to the entrustment agreements entered between them from time to time, further details of which are set out in the section headed “Connected transactions — Exempted continuing connected transactions — 4. Entrustment of Changchun Yitonghe for operation and management of Petroleum Refuelling Business” in this prospectus
“HEB Shengshi Energy”	Harbin Shengshi United Strength Petroleum Natural Gas Distribution Company Limited (哈爾濱盛世眾誠石油天然氣經銷有限公司), a limited liability company established under the laws of PRC on 15 October 2013, which was owned as to 90% and 10% by HLJ Shengshi Energy and Mr. Cai Binbin ((蔡斌斌) an Independent Third Party) as at the Latest Practicable Date and it is a connected person of our Company

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“Heilongjiang Province”	Heilongjiang Province, the PRC (中華人民共和國黑龍江省)
“Hengtai Energy”	Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司), a limited liability company established under the laws of PRC on 12 August 2010 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“Heroic Year”	Heroic Year Limited, a company incorporated under the laws of BVI on 12 October 2016 with limited liability, which was wholly owned by Mr. Liu as at the Latest Practicable Date, and is a Shareholder of our Company holding 10% of the total issued share capital of our Company as at the Latest Practicable Date
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HLJ Shengshi Energy”	Heilongjiang Shengshi United Strength Vehicle Energy Development Company Limited (黑龍江盛世眾誠汽車能源發展有限公司), a limited liability company established under the laws of PRC on 9 July 2012, which was solely and beneficially owned by Changchun Yitonghe as at the Latest Practicable Date, and it is a connected person of our Company
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong dollars”, “HK dollars”, “HK\$”, “HKD” or “cents”	Hong Kong dollars, the lawful currency of Hong Kong
“IASs”	International Accounting Standards

DEFINITIONS

“IASB”	International Accounting Standards Board
“IFRSs”	International Financial Reporting Standards
“Independent Third Party(ies)”	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected person of our Company within the meaning ascribed to it in the Listing Rules
“INED(s)”	independent non-executive Director(s) of our Company
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company, to professional, institutional and other investors at the Offer Price outside the United States in reliance on Regulation S, as further described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 52,762,000 new Shares initially being offered by our Company for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, but subject to reallocation, as further described in section headed “Structure and conditions of the Global Offering” in this prospectus
“International Underwriter(s)”	the underwriter(s) of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing Shares
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date by, amongst other parties, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters in respect of the International Placing
“Issuing Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information on which is set forth in paragraph 1.3 under Appendix IV to this prospectus
“Jieli Logistics”	Jilin Province Jieli Logistics Company Limited (吉林省捷利物流有限公司), a limited liability company established under the laws of PRC on 21 April 2005, which was a direct wholly owned subsidiary of Changchun Yitonghe as at the Latest Practicable Date, and it is a connected person of our Company

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“Jilin Clean Energy”	Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限責任公司), a limited liability company established under the laws of PRC on 19 September 2001 and a 51%-owned subsidiary of our Company, and the remaining 49% equity interest was owned by Jilin Petroleum as at the Latest Practicable Date
“Jilin Dongkun Gas”	Jilin Dongkun Gas Company Limited (吉林東昆燃氣有限公司, formerly named Jilin Xianjingsanhe Gas Company Limited (吉林鮮京三合燃氣有限公司) and Jilin Aisikai Gas Company Limited (吉林愛思開燃氣有限公司)), a limited liability company established under the laws of PRC on 30 September 1999 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“Jilin Haotuo”	Jilin Province Haotuo Petroleum Development and Usage Company Limited (吉林省昊拓石油開發利用有限公司), a limited liability company established under the laws of PRC on 1 December 2010, which was a direct wholly owned subsidiary of Changchun Yitonghe as at the Latest Practicable Date, and it is a connected person of our Company
“Jilin Petroleum”	Jilin Province Petroleum Company (吉林省石油總公司), a state-owned enterprise established under the laws of PRC on 1 January 2000 and solely owned by CNPC. By virtue of being the equity-holder of Jilin Clean Energy, Jilin Petroleum is a connected person of our Company
“Jilin Province”	Jilin Province, the PRC (中華人民共和國吉林省)
“Jilin Shengjia Energy”	Jilin Province Shengjia Energy Development and Usage Company Limited (吉林省盛嘉能源開發利用有限公司), a limited liability company established under the laws of PRC on 9 July 2009, which was owned as to 85% and 15% by Mr. Liu Yang (劉洋) and Mr. Wang Weihong (王偉宏) (both being Independent Third Parties) as at the Latest Practicable Date and it is an Independent Third Party
“Jilin Yafei Technology”	Jilin Province Yafei Technology Company Limited (吉林省亞飛科技有限公司), a limited liability company established under the laws of PRC on 17 May 2005, which was a direct wholly owned subsidiary of Changchun Yitonghe as at the Latest Practicable Date and it is a connected person of our Company
“Jixi United Strength”	Jixi United Strength Vehicle Energy Investment Company Limited (雞西眾誠汽車能源投資有限公司), a limited liability company established under the laws of PRC on 5 September 2013 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date

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“Joint Bookrunners”	GF Securities (Hong Kong) Brokerage Limited, China Industrial Securities International Capital Limited, China Securities (International) Corporate Finance Company Limited, Innovax Securities Limited, SPDB International Capital Limited and Yue Xiu Securities Company Limited
“Joint Lead Managers”	GF Securities (Hong Kong) Brokerage Limited, China Industrial Securities International Capital Limited, China Securities (International) Corporate Finance Company Limited, Innovax Securities Limited, SPDB International Capital Limited, Yue Xiu Securities Company Limited, China Investment Securities International Brokerage Limited and Founder Securities (Hong Kong) Limited
“Jointly-owned Refuelling Station(s)”	the refuelling stations that are owned as to 51% by our Group through Jilin Clean Energy and 49% by Jilin Petroleum and operated with a trademark owned by the shareholder of Jilin Petroleum
“Latest Practicable Date” or “LPD”	19 September 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Liaoning Province”	Liaoning Province, the PRC (中華人民共和國遼寧省)
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	The listing sub-committee of the Board of Directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Monday, 16 October 2017, on which our Shares are listed and from which dealings therein are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Longjing United Strength”	Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司), a limited liability company established under the laws of PRC on 16 July 2007 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“Macau”	the Macau Special Administrative Region of PRC
“Main Board” or “main board”	the Main Board of the Stock Exchange

DEFINITIONS

“Master Acquisition Agreement”	the agreement dated 19 September 2017 and entered into among Changchun Sinogas (for itself and on behalf of other members of our Group with relevant transportation licence) as purchaser and Jieli Logistics and Changchun Yitonghe as vendors, pursuant to which Jieli Logistics and Changchun Yitonghe agreed to sell gas transportation vehicles to our Group during the term of the agreement in tranches, further details of which are set out in the section headed “Connected transactions — Non-exempted continuing connected transactions — 2. Acquisition of gas transportation vehicles” in this prospectus
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“MHK Yujia Petrochemical”	Meihekou City Yujia Petrochemical Company Limited (梅河口市譽嘉石化有限公司), a limited liability company established under the laws of PRC on 27 December 2011 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“Mixed Refuelling Station(s)”	the gas refuelling station(s) which are operated at an area beside petroleum refuelling stations at the same site, whereby both the gas refuelling station and the petroleum refuelling station were registered under the same company or branch company holding a single business licence with a permitted scope of business including both the Gas Refuelling Business and the Petroleum Refuelling Business
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban — Rural Development of PRC (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction of PRC
“Mr. Liu”	Mr. Liu Yingwu (劉英武先生), a Shareholder indirectly holding 10% of the total issued share capital of our Company as at the Latest Practicable Date, and our executive Director
“Mr. QG Wang”	Mr. Wang Qingguo (王慶國先生), a Shareholder indirectly holding 1% of the total issued share capital of our Company as at the Latest Practicable Date, and our executive Director
“Mr. Xu”	Mr. Xu Huilin (徐輝林先生), an executive Director and our Chief Executive Officer
“Mr. Zhao”	Mr. Zhao Jinmin (趙金岷先生), one of our Controlling Shareholders and an executive Director and the Chairman of the Board


DEFINITIONS

“Ms. Xu”	Ms. Xu Hang (徐航女士), a Substantial Shareholder indirectly holding 15% of the total issued share capital of our Company as at the Latest Practicable Date
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Energy Vehicle(s)” or “NEV”	includes pure electric vehicles, plug-in hybrid vehicles and fuel-cell vehicles
“Noble Praise”	Noble Praise Investments Limited, a company incorporated under the laws of BVI on 17 October 2016 with limited liability, which was wholly owned by Mr. QG Wang as at the Latest Practicable Date, and is a Shareholder of our Company holding 1% of the total issued share capital of our Company as at the Latest Practicable Date
“Nomination Committee”	the nomination committee of the Board
“Nong’an Mother Station”	Changchun Sinogas Company Ltd. Nong’an Mother Station Branch Company (長春中油潔能燃氣有限公司農安母站分公司), a company established under the laws of PRC on 2 November 2007, and it had been a former branch company of Changchun Sinogas up to its deregistration on 6 March 2017
“Northeast China”	a region that covers Liaoning Province, Jilin Province and Heilongjiang Province
“Offer Price”	the final price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering
“Offer Share(s)”	the Public Offer Shares and the International Placing Shares
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriter(s), exercisable by the Sole Global Coordinator on behalf of the International Underwriters, with the prior written consent of the Company, pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 8,792,000 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price as further discussed in the section headed “Structure and conditions of the Global Offering” in this prospectus
“PetroChina Natural Gas”	PetroChina Company Limited (中國石油天然氣股份有限公司), a state-owned enterprise owned by CNPC established under the laws of PRC on 5 November 1999, and listed on the Stock Exchange (Stock code: 857) and Shanghai Stock Exchange (Stock code: 601857), which shares the same holding company with Jilin Petroleum, and it is a connected person of our Company

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“Petroleum Business Entrustment Agreement”	the agreement entered into between Longing United Strength and Hengtai Energy as entrusting parties and Changchun Yitonghe as operating party dated 19 September 2017 granting Changchun Yitonghe the right to operate and manage the Group Entrusted Refuelling Stations and use all assets, property, land and equipment necessary for such operation and management
“Petroleum Refuelling Business”	the distribution of petroleum and/or oil to vehicular end-users by operating petroleum refuelling stations and all other non-gas refuelling and non-gas related businesses
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC Legal Adviser”	Commerce & Finance Law Offices, legal advisers to our Company as to the laws of the PRC
“PRC Operating Subsidiaries”	collectively, Changchun Sinogas, Jilin Clean Energy, Wuchang Gas, Hengtai Energy, Jilin Dongkun Gas, Jixi United Strength, Longjing United Strength, MHK Yujia Petrochemical, Yanbian United Strength and YB Xinyuan Natural Gas
“Price Determination Agreement”	the agreement to be entered into among our Company and the Sole Global Coordinator (on behalf of the Underwriter(s)) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is expected to be fixed for the purposes of the Global Offering expected to be on or about Monday, 9 October 2017 but no later than Tuesday, 10 October 2017
“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription to the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms
“Public Offer Shares”	the 5,864,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation, details of which are set out in section headed “Structure and conditions of the Global Offering” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer as listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 September 2017 relating to the Public Offer and entered into between, amongst other parties, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, reorganisation and development — Reorganisation” in this prospectus
“Remuneration Committee”	the remuneration committee of the Board
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in paragraph 1.3 under Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“Self-owned Refuelling Station(s)”	the CNG, LPG and mixed fuel (CNG-LNG) refuelling stations that are wholly owned by our Group and for which our Group possess the relevant licences or approvals to operate under the trademark of “  ” and the trade name of “眾誠連鎖”
“SFC” or “Securities Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 September 2017, further details of which are summarised in paragraph 3.5 under Appendix IV to this prospectus
“Shenzhen Sinogas”	Shenzhen Sinogas Environmental Technology Company Limited (深圳中油潔能環保科技有限公司), formerly known as Shenzhen Sinogas Investment Company Limited (深圳中油潔能投資有限公司), a limited liability company established under the laws of PRC on 25 March 2011, which is wholly owned by an Independent Third Party

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“Sole Global Coordinator” or “GF Securities”	GF Securities (Hong Kong) Brokerage Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
“Sole Sponsor” or “GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activity
“Stabilising Manager”	GF Securities
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Golden Truth and the Sole Global Coordinator on or around the Price Determination Date, pursuant to which the Stabilising Manager, may borrow up to 8,792,000 Shares from Golden Truth to cover any over-allocations under the International Placing
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, for the purpose of this prospectus, refers to the entities and/or persons disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the financial years ended 31 December 2014, 2015, 2016 and the three months ended 31 March 2017
“Trademark Licence Agreement”	the agreement entered into between Changchun Sinogas and United Strength Vehicle Service dated 23 January 2017, pursuant to which United Strength Vehicle Service agreed to grant Changchun Sinogas and its subsidiaries, whether directly or indirectly owned, and their respective subsidiaries the non-exclusive right to use in the PRC the trademark of “  ” with retrospective effect from 21 November 2013 to 20 November 2023 for nil consideration

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“Trade Name Licence Agreement”	the agreement entered into between Changchun Sinogas and United Strength Vehicle Service dated 16 March 2017, pursuant to which United Strength Vehicle Service agreed to grant Changchun Sinogas and its subsidiaries, whether directly or indirectly owned, and their respective subsidiaries the non-exclusive right to use in the PRC the trade name of “眾誠連鎖” with retrospective effect from 21 November 2013 to 20 November 2023 for nil consideration
“Transaction Recording Software”	a software developed and licensed to our Group by Jilin Yafei Technology during the Track Record Period, the relevant copyright of which has been transferred to our Group pursuant to the Software Copyright Agreement
“Transaction Recording Software Copyright”	the copyright to the Transaction Recording Software
“Transportation Services Agreement”	the agreement dated 19 September 2017 and entered into between Changchun Sinogas (for itself and on behalf of other members of our Group, their respective branch companies and refuelling stations owned, controlled and/or operated by us) as service recipient and Jieli Logistics and Changchu Yitonghe as service providers, pursuant to which Changchun Yitonghe and Jieli Logistics agreed to provide gas transportation services to us, further details of which are set out in the section headed “Connected transactions — Non-exempted continuing connected transactions — 1. Transportation services provided to our Group” in this prospectus
“Underwriter(s)”	collectively, the Public Offer Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“United Strength BVI”	United Strength Power International Limited (眾誠能源國際有限公司), a company incorporated under the laws of BVI on 4 January 2017 with limited liability and a direct wholly owned subsidiary of our Company as at the Latest Practicable Date
“United Strength HK”	United Strength Power HK Limited (眾誠能源香港有限公司), a company incorporated under the laws of Hong Kong on 17 January 2017 with limited liability and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date

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“United Strength Investment”	Changchun United Strength Investment Development Group Company Limited (長春眾誠投資發展集團有限公司), a limited liability company established under the laws of PRC on 4 March 2004, which was owned as to 74%, 15%, 10% and 1% by Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang, respectively as at the Latest Practicable Date, and it is a connected person of our Company
“United Strength Investment Group”	United Strength Investment and its subsidiaries from time to time
“United Strength Vehicle Service”	Jilin Province United Strength Vehicle Services Chain Company Limited (吉林省眾誠汽車服務連鎖有限公司), a limited liability company established under the laws of PRC, which was owned as to 54.9% and 45.1% by Beijing Zhonghui Hongcheng Investment Management Company Limited (北京眾輝弘晟投資管理有限公司), an Independent Third Party, and Changchun Yitonghe respectively as at the Latest Practicable Date
“US\$” or “U.S. dollar(s)” or “USD”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Wuchang Gas”	Wuchang City Qinglian Gas Company Limited (五常市慶聯燃氣有限公司), a limited liability company established under the laws of PRC on 18 April 2006 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“Yanbian United Strength”	Yanbian United Strength Energy Technology Development Company Limited (延邊眾誠能源技術開發有限公司), a limited liability company established under the laws of PRC on 14 July 2008 and a 60%-owned subsidiary of our Company, and the remaining 40% equity intend was owned by Mr. Shao Wenyan (邵文延) as at the Latest Practicable Date
“YB Xinyuan Natural Gas”	Yanbian Xinyuan Natural Gas Sales Company Limited (延邊鑫源天然氣銷售有限公司), a limited liability company established under the laws of PRC on 29 May 2013 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

DEFINITIONS

“Yitonghe Entrusted Refuelling Station(s)”	the Mixed Refuelling Stations registered under Changchun Yitonghe which have been operated by our Group (as to the Gas Refuelling Business) and Changchun Yitonghe (as to the Petroleum Refuelling Business) pursuant to the entrustment agreements entered between them from time to time, further details of which are set out in the section headed “Connected transactions — Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus
“Yitonghe Group”	Changchun Yitonghe and its subsidiaries from time to time
“YoY”	year-on-year or period-on-period (as the case may be)
“%”	per cent

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assumes no allotment or issue of any Shares upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

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

GLOSSARY

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meanings or usage of those terms.

“CNG”	compressed natural gas, a type of natural gas that is compressed to high density through imposing high-pressure to facilitate the ease and efficiency of transportation
“km”	kilometre(s)
“L-CNG”	liquefied-to-compressed natural gas, a type of natural gas that is converted to CNG form from LNG through vapourisation
“LNG”	liquefied natural gas, a type of natural gas that has been converted to liquid form through application of pressure and cooling for ease and efficiency of transportation
“LPG”	liquefied petroleum gas, a type of inflammable produced during natural gas processing and oil refining, which could be stored as liquid under pressure
“m ³ ”	standard cubic metre(s), namely, the gas volume under the normal atmosphere
“MPa”	unit of pressure, mega pascal. 1 MPa=1,000,000 pa, is a measure of force per unit area
“sq.m.”	square metre(s)
“tonne”	metric ton
“Urban Gate Station Price”	the non-residential urban gate station price of natural gas (天然氣城市門站價格) stipulated by the NDRC from time to time which normally comprises the ex-plant price (including wellhead costs, purification costs and other miscellaneous costs) and pipeline transmission fee

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion about our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk factors” in this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed “Risk factors” in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

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You should carefully consider the following information about risks, together with the other information contained in this prospectus, before you decide to buy our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our gross profit margin and growth in profit may fluctuate in the future as our purchase price and selling price of CNG are sensitive to factors beyond our control

Natural gas is the most important raw material for our gas refuelling station business and constitutes a majority of our cost of sales. Our cost of sales and gross profit margin are directly affected by the fluctuations of the purchase price of natural gas.

The table below sets forth the average cost by product type for the periods indicated and the year on year percentage change in average cost by product type:

	Year ended 31 December					Three months ended 31 March		
	2014	2015	YoY percentage change	2016	YoY percentage change	2016	2017	YoY percentage change
	RMB/unit	RMB/unit	%	RMB/unit	%	RMB/unit	RMB/unit	%
CNG (/m ³)	3.47	3.04	(12.4)	2.29	(24.7)	2.59	2.18	(15.8)
LNG (/tonne)	5,167	3,798	(26.5)	2,733	(28.0)	3,444	3,049	(11.5)
LPG (/tonne)	6,198	4,800	(22.6)	3,638	(24.2)	4,301	4,032	(6.3)

Note: Average cost is calculated by the cost of sales of each product during the respective period divided by the sales volume for each product during the respective period.

The purchase price of natural gas depends on a range of factors, including among others, the market demand and supply of natural gas, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil. For details of factors affecting our purchase price, please refer to the section headed “Industry overview - Pricing system of vehicle natural gas refuelling station market” in this prospectus. On the other hand, the purchase price of CNG, market demand by end-customers, and competitive landscape of each refuelling station may impact the retail selling price of CNG. In particular, when our competitors undercut the retail selling price, we may suffer from lower profit margin (if we aim at maintaining sales volume) or lower sales volume (if we aim at maintaining our profit margin). If we are unable to pass on the impact of the increase in purchase prices of natural gas to our customers by adjusting our retail selling price in a timely manner due to price competition with other refuelling station

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operators which manage to procure natural gas at lower costs, or if we misjudge the extent of adjustment of retail price at our refuelling stations, our gross profit, cash flow and results of operations will be materially and adversely affected. Please refer to the section headed “Business - Pricing” in this prospectus for details of our pricing strategy.

In spite of the overall decrease in our average retail selling prices for CNG, LPG and LNG, our gross profit margin of retail sales experienced an overall increase from approximately 17.5% in 2014 to 25.3% in 2015, 32.0% in 2016 and a further increase to 35.9% during the three months ended 31 March 2017 . Such increase in gross profit margin reflects the circumstances where our purchase price for CNG decreased at a faster pace than the downward adjustment in retail selling price at gas refuelling stations. The purchase price and retail selling price at gas refuelling stations are affected by a range of factors which we have limited control and there is no assurance that the upward trend of our gross profit margin during the Track Record Period will continue given that the aforementioned factors affecting the purchase price and selling price of CNG are beyond our control. As such, we cannot assure you that we can maintain our gross profit margin and that the growth in our revenue can cover the increase in our selling and distribution expenses after the Listing. If there is an increase in the purchase price and we are unable to shift the increased cost to our customers by adjusting our selling price, our revenue, cash flow and results of operations may be materially and adversely affected.

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

We are required to obtain and maintain various licences and permits in order to commence and continue our operation of refuelling stations. The licences and permits necessary for our business operations are set out in the section headed “Business — Permits, licences and approvals” in this prospectus. Also, our operation facilities are subject to inspections by the regulatory authorities for compliance with the applicable PRC laws and regulations. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licences and permits could lead to temporary suspension or close-down of some or all of our gas refuelling stations, which could disrupt our operations and may materially and adversely affect our business, financial condition, operating results and reputation.

As more particularly disclosed in the section headed “Business — Legal proceedings and non-compliance matters”, we had certain deficiencies in legal and statutory compliance in respect of construction approval by the relevant environmental regulatory authorities in the PRC during the Track Record Period, including: 1. failure to obtain approval of the construction project environmental impact report on time, and 2. failure to obtain approval from the environmental authorities for completion inspection of construction project on time. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include, amongst others, administrative penalties or punitive measures imposed on the relevant member of our Group.

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If any of the government agencies takes enforcement action against us for these non-compliance incidents and our licences or permits is suspended or terminated, we may not be able to continue operation of the relevant stations, which may materially and adversely affect our business, operating results and reputation.

Competition from alternative vehicle fuels could be intensified, particularly with technological advancement of and increasing governmental support for electric vehicles, and may reduce the demand for our natural gas refuelling services

Gasoline and electricity are the main alternatives for natural gas as vehicle fuels in China. Vehicle fuels end-users will consider factors such as cost, availability, reliability, convenience, environmental impacts and safety when choosing the energy source to use for their vehicles. Other forms of energy source could become more favourable in case of technological advancement and governmental support.

Technological advancement of electric vehicles is on the rise in recent years. For example, as battery technology such as the invention of rechargeable lithium-ion battery and the recent research on wireless charging of moving vehicles emerge, the maximum driving range of current models of electric cars in the PRC can reach 200km to 400km and the express charging time could be as short as 1 to 2 hours. Investment in researches on electric car also enables better designs of electric vehicles. Higher driving range and shorter charging time, coupled with better design have led to increasing popularity of electric vehicles, which poses significant threats to our gas refuelling business.

In addition to technological advancement, New Energy Vehicles, in particular, electric vehicles, also achieved a rapid growth in China under the support of a series of governmental policies, such as the Developing Plan of Energy Saving and New Energy Automotive Industry (2012-2020) issued by the State Council (《國務院關於印發節能與新能源汽車產業發展規劃(2012-2020年)的通知》) and the Developing Guidelines of Electric Vehicle Charging Infrastructure (2015-2020) (《電動汽車充電基礎設施發展指南(2015-2020年)》). Based on the F&S Report, the number of New Energy Vehicles in China increased from less than 15,000 in 2011 to approximately 1.1 million in 2016, and is expected to increase to approximately 5.1 million in 2021 (as compared to an estimate of 10.9 million Gas Vehicles in 2021), representing less than 0.02%, and approximately 0.57% and 1.59% of China's total vehicle population, respectively. Support of governmental policies not only promoted technological advancements, but also contributed to expansion of recharging stations network. The PRC government also promoted New Energy Vehicles by means of government subsidies and tax exemption on both national and provincial levels. Based on the relevant central government policy, tax benefits are granted to purchasers of electric vehicles. For instance, for the period from 1 September 2014 to 31 December 2017, vehicle purchase tax is exempted for pure electric vehicles, hybrid vehicles and fuel cell vehicles. In Jilin Province, tax exemption policy has been promulgated for pure electric vehicles, hybrid vehicles and fuel cell vehicles since July 2015. Incentives are also provided by the PRC government to consumers of New Energy Vehicles where the customers can purchase New Energy Vehicles at a price net of financial subsidies. For example, financial subsidies have been given to purchasers of New Energy Vehicles as well as to companies building charging facilities for New Energy Vehicles in Heilongjiang Province since October 2016. Based on The Plan for Medium and

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Long Term Development of Automobile Industry (《汽車產業中長期發展規劃》) issued by Ministry of Industry and Information Technology (工業和資訊化部), the NDRC and Ministry of Science and Technology (科技部), it is expected that annual new sales of electric vehicles shall reach 2 million in 2020.

In view of the aforesaid, we cannot assure you that the government's supportive policies on natural gas vehicles will continue to be implemented. If the PRC government favours the promotion of electric vehicles over natural gas vehicles for any reason, the growth of the demand for natural gas vehicles and our natural gas refuelling station services will slow down or even reverse, which will materially and adversely affect our operating results.

Apart from competition with New Energy Vehicles, we also face competition from gasoline fuelled vehicles if the price of gasoline falls significantly or if there is any major and significant technological advancement in other alternative fuel in terms of cost-efficiency, or if the increase in number of refuelling or recharging facilities improves accessibilities to such alternative fuel, the advantages of CNG as vehicle gas could be outweighed and our customers may shift to use gasoline fuelled vehicles as a result. The demand for our natural gas refuelling services will then be weakened, which could materially and adversely undermine our business, financial condition and operating results.


Our business and operating results depend heavily on the economic and social conditions and prosperity of Jilin Province and its vicinity as most of our gas refuelling stations are located in Jilin Province

We are a leading vehicle CNG refuelling station operator in Jilin Province, the PRC. According to the F&S Report, we ranked second with a market share of 6.2% in Jilin Province's CNG refuelling station market in terms of CNG sales volume in 2016. We operated a total of 19, 23, 20 and 20 CNG refuelling stations (including one mixed station with CNG and LNG for sales) in Northeast China with approximately 87.2%, 92.0%, 92.8% and 92.6% of our total revenue attributable to sales of CNG for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. As at the Latest Practicable Date, save for one CNG station and one LPG station located in Heilongjiang Province, all of our stations were situated in Jilin Province. To further consolidate our leading position in Jilin Province, we expect that our future business will continue to concentrate in Jilin Province. Our business operation is therefore subject to economic and social developments in Jilin Province as well as any change in town-planning or road-network which may affect the access or convenience for vehicles to come to our stations. In particular, the level of governmental support and promotion for CNG has been one of the key factors for the continuous growth in the users of CNG vehicles and the consequential increase in sales of CNG as an alternative fuel. As such, if the Jilin Province government ceases to support and promote the usage of vehicle CNG, our customer base may not expand in the future, and our major existing customers may discontinue the usage of CNG as an alternative vehicle fuel, which may materially and adversely affect our sales performance. In addition, in the event of increasing competition from alternative fuel, such as electricity, as a result of promotion of such fuel by the relevant authorities in Jilin Province, we may have to lower our selling price and our profit margin may experience downward adjustment as a consequence. In case of significant economic downturn or unfavourable changes in the economic environment or natural disaster, economic activity in Jilin Province may be materially and adversely affected. This may in

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turn affect the demand for our product, resulting in deteriorated financial performance of our Group. There is no assurance that we will be able to maintain our historical revenue or profit levels in times of unfavourable and uncertain economic or social conditions in Jilin Province. Our historical financial performance shall not be relied upon as an indication of our future financial performance.

Termination of the Gas Business Entrustment Agreement may materially and adversely affect our business

As at the Latest Practicable Date, we operated five Yitonghe Entrusted Refuelling Stations, pursuant to five entrustment agreements entered into with Changchun Yitonghe during the Track Record Period from time to time, which will be replaced by the Gas Business Entrustment Agreement upon Listing. Under the aforesaid entrustment agreements, our Group was entitled to operate and manage the Yitonghe Entrusted Refuelling Stations under the trademark of “” and the trade name of “眾誠連鎖” and use all assets, land use right and equipment necessary for such operation and management in return for a fixed entrustment fee. Pursuant to the Gas Business Entrustment Agreement, our Group will pay a fixed annual entrustment fee of RMB1.3 million, which will be reviewed and adjusted for every three years, if necessary. For details of the Gas Business Entrustment Agreement, please refer to the section headed “Connected transactions — Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus.

The Gas Business Entrustment Agreement can be terminated if any of the parties thereto commit any breaches. In respect of two of the five Yitonghe Entrusted Refuelling Stations situated on leased premises, namely Yitonghe Station (伊通河站) and Jixing Station (吉興站), if Changchun Yitonghe is unable to renew the relevant lease agreements or if the lease agreements are terminated, Changchun Yitonghe would have breached its warrant that our Group is entitled to use such premises continuously during the term of the Gas Business Entrustment Agreement and the Gas Business Entrustment Agreement may be terminated. For the years ended 31 December 2014, 2015, 2016 and the three months ended 31 March 2017, these two Yitonghe Entrusted Refuelling Stations contributed to approximately 12.0%, 8.3%, 10.3% and 7.6% of our retail revenue for the respective years. We cannot assure you that the lease agreements between Changchun Yitonghe and the relevant lessors will not be terminated prematurely. In the event of early termination of such lease agreements, our operation on the two Yitonghe Entrusted Refuelling Stations could be discontinued. There is also no guarantee that the fixed annual entrustment fee will not be increased when it is reviewed for every three years during its term. As such, we cannot assure you that our rights to operate the five stations will be continued without interruption and until its term ends on 31 December 2025. If we lose the rights to operate the five stations for any reason whatsoever, our refuelling station network may shrink and our operating results may be materially and adversely affected.

Stable CNG supply and gas transportation service are crucial to our business and our operation may be significantly interrupted if we fail to secure stable CNG supply and gas transportation service

According to the F&S Report, sustainable gas supply capability of vehicle natural gas is crucial to vehicle gas refuelling station operators. To ensure a stable and sufficient supply of fuels, refuelling station operators have to establish procurement channels and maintaining good business relationship

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with midstream gas manufacturers or distributors. Further, well-equipped gas transportation facilities, such as safe-guaranteed gas transport fleet which is responsible for carrying the gas from the suppliers to the refuelling stations which do not sit on readily available underground gas supply are also a key element of the gas supply chain.

We do not produce our raw materials and rely on our suppliers to obtain gas. We typically enter into gas supply framework agreement with suppliers for gas supply. Nevertheless, we cannot guarantee that the suppliers will continue to renew such agreements or provide sufficient gas to us in accordance with the terms of legally binding framework agreements, especially in time of significant fluctuation of fuel price in the market. Our suppliers may also occasionally encounter shortage of gas supply and may not be able to provide sufficient fuel to us pursuant to the gas supply framework agreements. If we fail to find a replacement for the supply of fuel, our refuelling stations may not have products for sale, and our business, reputation and results of operations may be materially and adversely affected.

Further, we exclusively engaged Jieli Logistics, a connected person of our Company, for the provision of natural gas transportation service during the Track Record Period and as at the Latest Practicable Date. Our Group, Jieli Logistics and Changchun Yitonghe will enter into the Transportation Services Agreement. Pursuant to the Transportation Services Agreement, Jieli Logistics is to provide gas transportation services at such time and to such location as requested by the relevant service recipient, in consideration for the payment of transportation service fee to Jieli Logistics by the service recipient. Furthermore, we have entered into the Master Acquisition Agreement with Jieli Logistics for the acquisition of 28 tractor units and 51 trailers by tranches. For details of the Transportation Services Agreement and the Master Acquisition Agreement, please refer to the section headed “Connected transactions” in this prospectus. If Jieli Logistics refuses to continue to provide the service and we fail to find a replacement for transportation service, or if it could not accommodate to our increased demand for its service, or if it increases the service charge, or if we experience delay in obtaining approval for transfer of the vehicles, we would continue our reliance on Jieli Logistics for provision of gas transportation services and our gas supply may be interrupted in case of any potential delay or interruption of the transportation services and our refuelling stations’ operation could be materially and adversely affected.

We may not be able to secure locations of our refuelling stations on commercially acceptable terms, if at all, or at locations with favourable operation environment

The performance of each of our gas refuelling stations depends, to a significant extent, on the location of the station. For example, if the location of our refuelling stations is in close proximity to our competitors, our ability to adjust our retail prices without lowering our profit margin may be more limited. Also, if a refuelling station’s accessibility is curtailed for reason such as change in town-planning and road construction which may adversely affect the traffic, our sales performance can also be significantly and adversely affected. As such, our ability to secure suitable locations for our refuelling stations by acquiring or leasing suitable premises for our Self-owned Stations and Jointly-owned Stations, and the ability of Changchun Yitonghe to secure the location of certain Entrusted Refuelling Stations which situate on leased premises, is crucial to our operation.

As at the Latest Practicable Date, six of our gas refuelling stations were operated on premises leased to our Group whilst the operation of two Entrusted Refuelling Stations situated on leased

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premises. While the premises of Yanji Development Zone Station were leased from Yanbian United Strength, one of our subsidiaries, and the likelihood of non-renewal of the lease agreement for such station is unlikely, neither our Group nor Changchun Yitonghe is in a position to ensure that the lease agreements for premises on which we operate would be renewed upon expiry on terms commercially acceptable to us or Changchun Yitonghe, or at all. During the Track Record Period, stations which operated on leased premises (excluding Yanji Development Zone Station, which was leased by one of our subsidiaries, and refuelling stations operated under the cooperation investment agreements with CNPC (namely, Jiefangbei Station, Changchun Road Station, Southeast Lake Station, Guigu Station and Puyang Stations), which our Directors are of the view that the risk of non-renewal of the relevant leases is low) included Jingyue Station, Jixi Station, Yanji Public Transportation Station, Liaoyuan Longyuan Terminal Station, Benchi Station, Jixing Station and Yitonghe Station. For the years ended 31 December 2014, 2015, 2016 and the three months ended 31 March 2017, the revenue generated from these stations represented approximately 20.1%, 17.1%, 20.5% and 16.5% of our retail revenue in the respective periods. As such, if we or Changchun Yitonghe are unable to renew the lease agreements for premises on which we operate, or if the lease agreements are terminated by the lessors for any reasons whatsoever, our operation and financial results may be materially and adversely affected.

Going forward, we intend to secure more locations by acquiring gas refuelling stations (via acquisition of several companies with such business) together with their respective land use rights. Nevertheless, we cannot assure you that we will be able to identify and acquire such gas refuelling stations on terms commercially acceptable to us, or at all. We also cannot assure you that the locations of the acquired gas refuelling stations would be favourable to our operation at all times or at all. Given that changes in accessibility to our stations could be beyond our control, there is no assurance that the operation environment of our stations would not deteriorate. In the event that we encounter difficulties in securing suitable locations in regions that we plan to expand into, our growth prospects may be materially and adversely affected. For other risks involving our business strategies, please refer to the paragraph headed “We may not be able to execute our business strategy successfully or manage our growth effectively because we may experience difficulty in estimating when or where we can complete acquisition of companies with CNG refuelling station business which fulfill our acquisition requirement with precision, and future acquisitions may be expensive and may ultimately fail” in this section.

Given our relatively small business scale in the PRC, we are particularly vulnerable to risks arising from PRC government’s price control regime for retail vehicle fuels and increasing marketisation of fuel retail price may result in intensified price competition, which would have a disproportionate adverse impact on our operation

According to the PRC Pricing Law, the PRC government is implementing and gradually optimising the pricing mechanisms mainly formed by the market under macroeconomic control policies. The competent departments of price and other departments concerned of people’s governments of autonomous regions and municipalities directly under the central government shall determine the government-guided prices and government-set prices for implementation in their respective areas in pursuance of the pricing authority and specific applicable scope provided for in Local Pricing Catalogues. The PRC government has issued Certain Opinion from the State Council of the PRC on Promoting the Reform of Price Mechanism (《中共中央國務院關於推進價格機制改革的若

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干意見》) in October 2015 to accelerate the marketisation of the energy prices and speed up the release of natural gas sources and sales prices. Jilin Province, Liaoning Province, Changchun City and Jilin City under their respective jurisdiction have also successively released the provisions on the price of vehicle natural gas to permit the natural gas distributors to adjust their natural gas sales price. However for Heilongjiang Province, the PRC government is still in the process of drafting and preparing to promulgate the relevant provisions to cope with the new trend of marketisation. Therefore, the pricing of both our natural gas supplies and sales prices in Heilongjiang Province would still be subject to the Heilongjiang Province Price List (《黑龍江省定價目錄》) issued by the Heilongjiang Province Price Supervision Authority.

In view of the trend of marketisation of retail price of fuels in the PRC, market players are allowed to compete against each other by price competition to a larger extent. According to F&S, the market players with smaller scale of business are more vulnerable due to its inability to pass on increased purchase price to the end customers and the possibility of being driven out of business by more sizable operators which undercut (if so doing) price and profit margin in an attempt to increase market shares. There is no guarantee that any of the Big Three Oil Giants or other sizeable natural gas industry players will not enter into or expand in the Jilin Province natural gas refuelling station market, establish sizable gas refuelling station network and/or implement price-cut policy. As a relatively small-size gas refuelling station operator in the PRC, our ability to bargain for lower purchase price and our resilience to lowered profit margin and gross profit in case of vicious price competition cannot be compared with that of more sizeable competitors. As such, if one or all of the sizeable natural gas industry players take initiative in developing or expanding the natural gas refuelling station market in Jilin Province, we may face intense competition and may not be able to maintain our sales revenue and profit margin at the existing level, and our financial results will be significantly and adversely affected. In other words, as a small size market player, any unfavourable government policy on price control would have a disproportionately adverse impact on us.

Although there is a trend of marketisation of the energy prices in Northeast China, allowing natural gas refuelling station operators to adjust their natural gas sales price in more areas of Northeast China, the local government may still impose pricing regulations including price ceiling on natural gas prices in Jilin Province. The local pricing authorities may change the natural gas prices or even revoke the decision on releasing the control of natural gas sources and sales prices in Jilin Province. Therefore, the pricing of our natural gas sales prices at downstream refuelling stations are still subject to the local government's future adjustments and provisions. If changes in prevailing market conditions or regulatory policies affect our purchase price for natural gas or limit our flexibility in adjusting our selling price, we may not be able to pass on the impact of the price adjustments to our customers in a timely manner, and our revenue, cash flows and results of operations will be materially and adversely affected.

Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business

We recorded net current liabilities of approximately RMB28.7 million as at 31 December 2014 and RMB15.1 million as at 31 March 2017, respectively. Our net current liabilities position as at 31 December 2014 was attributable to the bank loan of approximately RMB48.4 million. Our net current

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liabilities position as at 31 March 2017 was a result of our Group's payments for acquisition of the entire equity interests of Changchun Sinogas at a consideration of RMB20 million, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe's then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB55.8 million in March 2017 and partially offset by proceeds received from the issuance of shares of RMB20.0 million pursuant to the Reorganisation completed in March 2017.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables, as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. We cannot assure you that we will be able to obtain adequate external financing as and when required promptly or at satisfactory terms, and any liquidity problems could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to hire and retain sufficient management executives, technicians and other qualified personnel could materially and adversely affect our business and prospects

The continued service of our senior management has led to the sustainable growth of our business. The industry experience, expertise and contributions of our executive Directors and other members of our senior management are important assets to our operation. Sufficient number of experienced and competent executives is required to implement our growth plans. If we lose a number of our key management members and are unable to recruit and retain personnel with equivalent qualifications, the growth of our business could be materially and adversely affected.

In respect of our day-to-day operations, we rely primarily on our operations and maintenance team for regular inspections, routine maintenance and repairs regarding our vehicle gas refuelling stations. Our operations also rely on computer information and communications technology and related systems to operate properly. If we fail to retain our in-house operations and maintenance team to provide technical support, inspection, maintenance or repair work for our key equipment and systems in a timely manner or at all, our vehicle gas refuelling station operations could be interrupted, possibly without warning. The occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations.

As such, our business, financial performance and prospects depend on our ability to employ, train and retain highly skilled personnel, including managerial and other technical professionals. In the PRC and Jilin Province, competition for experienced personnel is generally intense. We cannot assure you that, we will be able to maintain an adequate experienced labour force, and staff costs may increase as a result of a shortage in supply of qualified personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or if we fail to maintain an adequate experienced labour force, it may materially and adversely affect our business operations and may hinder our future growth and expansion.

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The operations of our gas refuelling stations rely heavily on our fully computerised control panels and any material IT failure may result in temporary disruption of operation

Our gas refuelling stations are equipped with fuel dispensers connected to computerised control panels. The control panels are installed with Transaction Recording Software and are linked to our servers at the main office by our IT service provider. We are able to adjust the selling price at each station, record and monitor sales at each station, complete payment by transferring balances from our customers' pre-paid accounts on real-time basis and implement our membership programme. The information gathered by the Transaction Recording Software is the primary database for our management team to analyse sales performance.

If the control panels at individual refuelling stations or the main server system or the Transaction Recording Software fail to function properly, the operations of individual stations or all of our gas refuelling stations may be interrupted. For example, sales record may not be updated properly, which could affect our judgement on when natural gas should be procured to replenish our inventory and whether we should adjust the retail price. If the server and its backup system fail simultaneously and we are unable to recover lost data, recording or entry of sales transaction may be inaccurate or omitted and our management team may not be able to analyse operational performance accurately. We may also fail to adjust the retail prices and suffer from decreased profit margin if the IT system breaks down for an extended period of time during the time of fuel cost fluctuation. We cannot assure you that there would be no occurrence of operation disruption due to IT failure, which could materially and adversely affect our operational record, schedule and results of operations.



Our assets and operations are subject to hazards customary to the natural gas industry, and we may not have adequate insurance to cover all these hazards


Gas refuelling stations and the facilities therein are our main assets and they are subject to risks and hazards, including equipment failures, natural disasters, environmental hazards and industrial accidents involved in the operation of our gas refuelling stations. Similar risks and hazards also apply to the transportation of natural gas. If there is any severe damage to and/or destruction of our property, plant and equipment, our operation at the relevant station may be suspended and bring about significant and adverse impact on our operation. Safety or environment related incidents, may result in significant personal injury or death and/or damage to the environment and we may be subject to governmental investigations, which may give rise to administrative action imposed on our subsidiaries or our management personnel. Damages suffered by third parties may lead to us facing civil liabilities or fines. We may be required to make indemnification payments in accordance with applicable laws.

We have entered into insurance policies to cover certain other risks associated with our businesses. While we believe this insurance coverage is commensurate with our business nature and risk profile, we cannot assure you that our insurance policies will insure us fully against all risks and losses that may arise. In addition, our insurance policies are subject to annual review by our insurers, and we may not be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, our business, financial condition or results of operations would be materially and adversely affected.


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We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness

We operate the Self-owned Refuelling Stations and Yitonghe Entrusted Refuelling Stations under the trademark of “” and the trade name of “眾誠連鎖”. Going forward, we intend to further expand our CNG refuelling station network in Jilin Province by acquiring several companies with CNG refuelling station business and operate the newly acquired stations with the same trademark and trade name. We are not the owner of the registered trademark and the trade name but rely on the Trademark Licence Agreement and the Trade Name Licence Agreement entered into with and United Strength Vehicle Service, pursuant to which United Strength Vehicle Service agreed to grant Changchun Sinogas and its subsidiaries, whether directly or indirectly owned, and their respective subsidiaries the non-exclusive right to use in the PRC the trademark of “” and the trade name of “眾誠連鎖” with retrospective effect up to 20 November 2023 for nil consideration. We also operated six Jointly-owned Refuelling Stations which used the trademark owned by the shareholder of Jilin Petroleum.


According to the F&S Report, vehicle gas refuelling station market is relatively regionally restricted and requires strong local brand recognition. Our ability to use the trademark of “” and the trade name of “眾誠連鎖” is therefore of paramount importance in our business development. We cannot assure you that the agreements will continue in the future. Furthermore, as the trademark and trade name are not granted to us on an exclusive basis, other licencees of the same trademark or trade name, including certain subsidiaries of Changchun Yitonghe and the owner of the trademark used at the Jointly-owned Refuelling Stations which are involved in the business of petroleum station operation could use the same trademark. As such, if any other users of the trademark and the trade name commit such act to the detriment of the reputation associated with the trademark and the trade name we use under the Trademark Licence Agreement and the Trade Name Licence Agreement, such as being involved in major industrial accident, our reputation may be perceived less favourably by our customers. We cannot assure you that the Trademark Licence Agreement or the Trade Name Licence Agreement will be renewed upon expiry or that the good-will associated with the trade name will persist. In the event that we are not allowed to continue usage of the trademark and trade name or that our operation is perceived unfavourable as a result of worsen reputation of the relevant trademark or trade name, our business, and results of operations could be materially and adversely affected.

We may experience difficulties in expanding our CNG refuelling business to new cities or regions where we do not have a presence

As at the Latest Practicable Date, we operated 25 refuelling stations in Northeast China, of which 19 were CNG stations, one was a mixed fuel (CNG-LNG) station and five were LPG stations. Most of our refuelling stations were located in Jilin Province with the exception of one CNG station and one LPG station located in Heilongjiang Province. To deepen our market presence at areas we currently operate in and further extend our customer base, we intend to expand our existing CNG refuelling station network in Jilin Province by acquiring six CNG refuelling stations (via acquisition of several companies with such business) and operating them under the trademark of “” and the trade name of “眾誠連鎖”.

According to the F&S Report, local vehicle gas end-users are more apt to those local well-established refuelling stations as those stations can usually provide safe and quality-guaranteed

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service. Hence, local brand recognition is likely to be one of the barriers to new comers to a particular area. We cannot assure you that the trademark of “” and the trade name of “眾誠連鎖” would be as well-received as it is in Changchun City, where we operate multiple stations. If we open a station in areas we have no former presence and the local customers are reluctant to patronise our new stations, we may not be able to establish our customer base as planned, and our expected turnover and profit may fall short which will consequentially, materially and adversely affect our operational and financial results.

Our business requires significant start-up capital expenditures, and any significant increase in the cost of developing our gas refuelling stations may materially and adversely affect our business, financial performance and prospects

As at the Latest Practicable Date, our Group was in the process of applying for construction of two stations and we may construct additional stations if and where we come across appropriate opportunities. Substantial initial investments are required to be made to acquire companies with gas refuelling stations and construction. The capital investment required to develop and construct varies based on the cost of fixed assets, such as the cost of construction. The price of such construction may increase if market demand for such construction is greater than the available supply. Other factors affecting the amount of capital expenditures include, among others, labour costs and finance expenses. A significant increase in the costs of developing and constructing our gas refuelling stations could materially and adversely affect our business, financial condition and results of operations.

Historically, our development has been financed by us through funds generated from our operations and/or bank loans. We cannot assure you that, at the time of developing our new gas refuelling stations, we will be able to secure financing from the abovementioned sources on commercially viable terms to fund required capital expenditures. If we fail to obtain adequate financing, our ability to expand our business may be hindered and the prospects of our future operations may be materially and adversely affected. Further, if we end up relying on external funding to fulfill capital needs, we may be exposed to interest rate risk resulting from fluctuations in interest rates on our debt, and changes in interest rates affect our finance expenses and, ultimately, our results of operations.

We may not be able to execute our business strategy successfully or manage our growth effectively because we may experience difficulty in estimating when or where we can complete acquisition of companies with CNG refuelling station business which fulfill our acquisition requirement with precision, and future acquisitions may be expensive and may ultimately fail

Our primary business strategy is to expand our existing refuelling station network in Jilin Province. To this end, we plan to acquiring six CNG refuelling stations (via acquisition of several companies with such business). For details, please refer to the section headed “Business — Our business strategies” in this prospectus.

Unexpected difficulties such as unforeseen costs, delays in negotiating relevant agreements with counterparties and problems in dealing with local regulatory and governmental authorities, over which we have limited control may be encountered. Furthermore, according to the F&S Report, it is expected that the CNG refuelling station market will become increasingly consolidated. Other larger-scale CNG

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refuelling station operators may compete with us to acquire smaller-sized stations for operation. As such, there may be delays in negotiating the relevant agreements with counterparties and we may not be able to enter into new lease agreements with refuelling station owners on favourable terms. Any failure or delay of our expansion projects could materially and adversely affect our prospects and financial position.

Moreover, future acquisitions may be expensive and may ultimately fail. Any potential acquisitions for the purpose of business growth may result in material transaction expenses, or increased interest, amortisation, depreciation and operating expenses, which could materially and adversely affect our operating results and financial position. Acquisitions may require integration and management of new businesses and could divert management resources otherwise available for ongoing development of our business. Although we would consider potential investment opportunities or potential acquisition targets, we have not, as at the Latest Practicable Date, identified any definitive investment or acquisition targets nor had we entered into any definitive agreements with respect to any acquisitions or strategic investments. We may be unable to identify suitable acquisition candidates or consummate any future acquisitions. Further, any acquisitions may expose us to unanticipated business uncertainties or legal liabilities relating to those acquired businesses and the sellers of the acquired business may not indemnify us for such risks. Future acquisitions may also cause us to issue securities that will dilute our Shareholders. Any of these events could materially and adversely affect our business, financial condition or results of operations.

As such, we cannot assure you that we will be able to execute our business plan successfully within the expected timetable or at all, or that we will be able to manage our growth effectively due to the above factors. In the event any of the aforesaid risks relating to our growth strategies materialises, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred income tax assets, which could have a material adverse effect on our results of operations

As at 31 December 2014, 2015, 2016 and 31 March 2017, our Group recorded deferred tax assets of RMB5.5 million, RMB4.8 million, RMB5.3 million and RMB5.4 million, respectively. Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred income tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

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Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred income tax assets were recognized, our ability to recover such deferred income tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

We have not obtained the land use right certificate to one of the properties, which may materially and adversely affect our rights to use and construct on such property

As at the Latest Practicable Date, we had land use rights with respect to 11 parcels of land in China, located in the cities of Changchun, Wuchang, Liaoyuan, Meihekou, Helong and Longjing and of the county of Wangqing, with a total area of approximately 90,663.93 sq.m. We have obtained the land use rights certificates for all these 11 parcels of land. Nevertheless, in respect of the land use right to a parcel of commercial service facilities land of 4,215 sq.m. in Yanji City, for which we have obtained a bid confirmation (掛牌出讓公開交易成交確認書) from the Land and Resources Bureau of Yanji City of Jilin Province (吉林省延吉市國土資源局), we are in the process of applying for the land use right certificate while the Construction Land Use Permit (《建設用地規劃許可證》) to construct a gas refuelling station from the Yanji Town Planning Management Bureau (延吉市規劃管理局) was obtained in May 2015. The timing for obtaining such certificate is beyond our control. Before we have obtained the land use right certificate for such property, our plan for the construction of station on the said parcel of land may be hindered.

We cannot assure you that our use and occupation of the relevant land will not be challenged. If we cannot obtain the relevant certificate in a timely manner, or our legal right to use or occupy the relevant property is challenged, we may not be able to construct the refuelling station and commence operation thereon, which may materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as regulatory policies, will significantly affect financial markets in China, as well as our liquidity, access to capital and ability to operate our business

All of our vehicle gas refuelling stations are located in the PRC, and we derive all of our revenue from our operations therein. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors. The local government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially and adversely affected.

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

Our operations are regulated by various safety laws or enforcement policies. Future changes in safety laws or enforcement policies are unpredictable and the ultimate cost of compliance with such laws and regulations are inestimable. The requirements of existing safety laws and enforcement policies have generally become stricter in recent years, and it is likely to have a continued trend. The regulatory environment in which we operate is subject to frequent changes and has become more heavily regulated in recent years. New or revised legislation or regulations or changes in the interpretation or enforcement of existing laws and regulations may adversely affect our business. We could be required by new regulations to acquire costly equipment, refit existing facilities or to incur other significant expenses.

The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect us

Although the PRC's economy has recently grown more quickly than most developed economies, its real GDP growth rate declined from 7.3% in 2014 to 6.9% in 2015 and 6.7% in 2016. A number of factors have contributed to this slowdown, including the appreciation of the RMB, which has adversely affected China's exports, and the PRC government's austerity measures and monetary policies aimed at preventing overheating of the PRC's economy and controlling China's high level of inflation. The slowdown has been further exacerbated by the challenging global economic conditions in the financial and credit markets, which in recent years have resulted in extreme volatility and dislocation in the global capital and credit markets. For 2017, the PRC is facing more headwinds from external environment, including from a new US president, who has been threatening tough trade measures against the PRC.

It is uncertain how long the challenging global economic conditions in the financial services and credit markets will continue, and the extent of the adverse effect on the global economy and the PRC economy in particular. The slowdown of the PRC economy could lead to a decrease in business and construction activities nationwide, which could reduce demand for gas consumption and could materially and adversely affect our business, financial condition and results of operations.

Under the EIT Law, we may be classified as a “resident enterprise” of the PRC. Such classification could result in unfavourable tax consequences to us and our non-PRC shareholders

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC tax resident enterprises and will generally be subject to the uniform 25% PRC enterprise income tax rate on their global income. Under the implementation rules to the EIT Law, a de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. In addition, the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, issued by the SAT on 22 April 2009 regarding the standards used to classify certain Chinese-controlled enterprises established outside of

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China as resident enterprises clarified that dividends and other income paid by such resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognised by non-PRC enterprise shareholders. Circular 82 also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. Circular 82 further details that certain Chinese-controlled enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) major assets, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of the senior management or directors having voting rights. Although the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreign individuals or foreign enterprises like us. Also, currently there are no detailed rules or precedents governing the procedures and specific criteria for determining de facto management bodies which are applicable to our Cayman Islands holding company or our overseas subsidiary. Therefore, we do not currently consider our Cayman Islands holding company or our overseas subsidiary to be a PRC resident enterprise. If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow.

First, our Cayman Islands holding company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as PRC enterprise income tax reporting obligations.

Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as tax-exempted income (at a rate of 5%), we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Finally, dividends payable by us to our investors and gain on the sale of our Shares may become subject to PRC withholding tax. It is possible that future guidance issued with respect to the new resident enterprise classification could result in a situation in which a withholding tax of 10% for our non-PRC enterprise investors or a potential withholding tax of 20% for non-PRC individual investors is imposed on dividends we pay to them and with respect to gains derived by such investors from transferring our shares. In addition to the uncertainty regarding how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the EIT law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of our shares under the circumstances mentioned above, the value of your investment in our Shares may be materially and adversely affected. It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. By comparison, there is no taxation on such income in the Cayman Islands.

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Uncertainties with respect to the PRC legal system could materially and adversely affect us

Our operations are governed by PRC laws and regulations in China. We and all of our operating subsidiaries are organised under PRC laws. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade has been promulgated by the PRC.

However, many of these laws and regulations, particularly with respect to clean energy projects, are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. The legal remedies and protections available to you, and can materially and adversely affect the value of your investment can be affected by these uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions.

Fluctuation of Renminbi could materially and adversely affect our financial condition and results of operations

We collect substantially all of our revenue in RMB, some of which will need to be converted into foreign currencies to pay dividends to our Shareholders. The value of the RMB fluctuates and is subject to changes in China's political and economic conditions.

It is possible that PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. In the event of significant change in the exchange rates of Hong Kong dollars and U.S. dollars against RMB, our ability to pay dividends in foreign currencies may be materially and adversely affected. Accordingly, our financial condition and results of operations could also be materially and adversely affected. In addition, any dividends in respect of our Shares will be declared in RMB and paid in Hong Kong dollars. Accordingly, holders of Shares in countries other than the PRC are subject to risks arising from adverse movements in the value of the RMB against the Hong Kong dollar, which may reduce any dividends paid in respect of our Shares.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payment on our Shares

The RMB generally cannot be freely converted into any foreign currencies. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under a certain exchange rate, we may not have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions conducted by us, including the payment of dividends, do not require advance approval from the SAFE.

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However, we are required to present documentary evidence of such transactions and conduct transactions at designated foreign exchange banks in China that have licences to carry out foreign exchange business. However, the SAFE must approve in advance any foreign exchange transactions conducted by us.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our capital expenditures, business, operating results and financial condition may be materially and adversely affected.

It may be difficult to enforce any judgments obtained from non-PRC courts against our Company or our Directors, supervisors or senior management officers residing in the PRC

It may not be possible for investors to serve process upon us or those persons in the PRC, or to enforce against us or them in the PRC, any judgments obtained from non-PRC courts. In addition, judgments of a court of any other jurisdiction related to any matter not subject to a binding arbitration provision may be difficult or impossible to enforce.

Payment of dividends is subject to restrictions under PRC law

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit are our net profit as determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including periods in which we are profitable. Any distributable profit not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under IFRSs in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under IFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Immediately following the Capitalisation Issue and the Global Offering, or if the Sole Global Coordinator (for itself and on behalf of the Underwriters) exercises the Over-allotment Option in full,

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our Controlling Shareholders will own 55.5% and approximately 53.5% of the Shares respectively. Our Controlling Shareholders, through their close associates are engaged in a variety of operations, including but not limited to operations relating to alternative energy source, such as petroleum. While our Controlling Shareholders have entered into the Deed of Non-competition with our Company, we cannot guarantee that our Controlling Shareholders will not breach the terms in the Deed of Non-competition. Although our Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions, they have no obligation to consider our interests or the interests of our other Shareholders.

There has not been any prior public market for our Shares and an active trading market may not develop

Prior to the Global Offering, there was no public market for our Shares. The initial offer price range for our Shares was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the market price for our Shares following the Global Offering may differ significantly from the Offer Price. We have applied to list and trade our Shares on the Stock Exchange. However, the Global Offering does not guarantee that an active and liquid public trading market for our Shares will develop. Furthermore, the price and trading volumes of our Shares may be volatile. Factors such as fluctuations in our results of operations, general market conditions or other developments affecting us or our industry may affect the volume and price at which our Shares will be traded.

Future sales of substantial amounts of our Shares in the public market may materially and adversely affect the prevailing market price of our Shares

Except for the Shares issued in the Capitalisation Issue and the Global Offering, our Company has agreed with the Sole Global Coordinator, the Sole Sponsor and the Underwriters not to, among others, sell or issue any of our Shares or securities convertible into or exchangeable for our Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the Listing Date, except with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters). Further, our Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in their sole and discretion, waive or terminate these restrictions. For details of the restrictions that may apply to the future sales of our Shares, please refer to the section headed “Underwriting” in this prospectus. After these restrictions lapse, the market price of our Shares may decline as a result of sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

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Investors may experience difficulties in enforcing their shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Memorandum, the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraphs headed "Summary of the constitution of the Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

In the future, our capabilities and business may be expanded by our Group through acquisition, joint venture and strategic partnership with parties who can add value to our Group's business. Additional equity funding after the Global Offering may be required by our Group and the equity interests of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances. In addition, offering and issuing additional Shares in the future may be considered by our Group to the extent that our ordinary Shares are issued upon the exercise of Share options which may be granted in the future. In this regard, if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share, you may experience further dilution in the net tangible asset book value per Share.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Our Group has derived certain facts and other statistics in this prospectus relating to the natural gas refuelling industry and the global economy from various government publications and organisations that it believes to be reliable. While our Group believes that such facts and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been prepared or independently verified by our Group, the Sole Sponsor or any member of our Group's or their respective affiliates or advisers. Therefore, our Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC or available from other sources. Such facts and other statistics include the facts and statistics contained in this section, the sections headed "Summary", "Industry overview" and "Business" in this prospectus. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

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You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering

There could be press articles, media coverage and/or research analyst reports regarding us and the Global Offering, which could include certain financial information, financial projections, industry comparisons, and/or other information about us and the Global Offering that do not appear in this prospectus. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We have not authorised the disclosure of any such information in the press, media or research analyst report. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it and accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the core business, major assets and operations of our Group are primarily located in PRC, all of our executive Directors are currently and will, in the foreseeable future, continue to be ordinarily resident in PRC after the Listing.

We have applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with the management presence requirements under Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, namely Mr. Xu (an executive Director and our Chief Executive Officer) and Mr. Lo Wai Kit (our Chief Financial Officer and Company Secretary), to act as our principal channel of communication with the Stock Exchange. Mr. Lo Wai Kit is ordinarily resident in Hong Kong. Each of the authorised representatives shall be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange, and will also be accessible by telephone, facsimile and electronic means. Our Company will inform the Stock Exchange promptly in respect of any change in our authorised representatives or the contact details of any of them;
- (b) each of the authorised representatives has means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact them for any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange; each of our Directors, authorised representatives and the company secretary has provided his mobile and office contact phone numbers, fax number and email address (if those contact details are available) to the Stock Exchange, should the Stock Exchange find it necessary to contact any of them;
- (c) those Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or are entitled to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period of time when required;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) each Director has confirmed that, in the event that he or she expects to travel or be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communications to our authorised representatives;
- (e) pursuant to Rule 3A.19 of the Listing Rules, we have appointed GF Capital to act as our compliance adviser for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange; and
- (f) our Company will maintain a principal place of business in Hong Kong.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in “Connected transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the COWUMPO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Global Offering which comprises the Public Offer and the International Placing. The Public Offer comprises the offer of 5,864,000 new Shares by our Company initially for subscription at the Offer Price while the International Placing comprises the offer of 52,762,000 new Shares by our Company initially for subscription at the Offer Price.

The Global Offering is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator. Details of the structure and conditions of the Global Offering are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. Please refer to the section headed "Underwriting" in this prospectus for further details of the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any public offer of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws, rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. As far as the Global Offering is concerned, no person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her/its acquisition of the Offer Shares as confirmed, that he/she/it is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares, in circumstances which contravene any such restrictions.

Prospective investors should consult their professional advisers and take advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the relevant regulatory requirements of investing in the Offer Shares and any applicable exchange control regulations in the jurisdictions of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus.

None of our Company or any of our subsidiaries is presently listed on any stock exchange on which any part of the equity or debt securities of our Company or any of our subsidiaries is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought.

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors of the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARE REGISTRARS AND STAMP DUTY

All Shares to be allotted, issued and transferred pursuant to the Global Offering will be registered on the register of members of our Company in Hong Kong maintained by the Hong Kong Branch Share Registrar. The principal register of members of our Company in the Cayman Islands is maintained by Conyers Trust Company (Cayman) Limited. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB and USD amounts into HKD.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of foreign currencies into HKD in this prospectus was made at the following rates:

RMB1.0 = HK\$1.1927

RMB1.0 = US\$0.1526

US\$1.0 = HK\$7.8159

Such conversions shall not be construed as representations that amount of such currencies were or may have been converted into HKD and vice versa at such rates or any other exchange rates or at all.

LANGUAGE

The English translations of the names of PRC nationals, entities, departments, facilities, certificates, titles, laws, rules, regulations, licences and permits in this prospectus are not official names for, and do not form any official part of, such nationals, entities, departments, facilities, certificates, titles, laws, rules, regulations, licences and permits.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail.

ROUNDING

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

**DIRECTORS, SENIOR MANAGEMENT AND
PARTIES INVOLVED IN THE GLOBAL OFFERING**

DIRECTORS AND SENIOR MANAGEMENT

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Zhao Jinmin (趙金岷)	Room 702, Unit No. 1 Xinghewanlangyuan Middle Sijixinghe Street Chaoyang North Road Chaoyang District, Beijing 100123, the PRC	Chinese
Mr. Liu Yingwu (劉英武)	Room 502, Building No. 5 Tian'an Diyicheng Gaoxin District, Changchun Jilin Province 130012, the PRC	Chinese
Mr. Wang Qingguo (王慶國)	Room No. 1, Building No. 1 Unit No. 2, Block No. 10 Zone A, China Overseas International Community Economy & Technology Development District Changchun, Jilin Province 130033, the PRC	Chinese
Mr. Xu Huilin (徐輝林)	Unit 601, Block 4 Building No. 20 Dinghui Dongli Haidian District Beijing, the PRC	Chinese
<i>Independent non-executive Directors</i>		
Ms. Su Dan (蘇丹)	Flat D, 17/F, Block 52 Kam Sing Mansion Sing Fai Terrace Tai Koo Shing Hong Kong	Chinese

**DIRECTORS, SENIOR MANAGEMENT AND
PARTIES INVOLVED IN THE GLOBAL OFFERING**

Name	Residential Address	Nationality
Mr. Yu Chen (于臣)	Unit 15-0605, Block 15 Nanjunshuiyuntian 777 Huxi Road Chaoyang District Changchun Jilin Province, the PRC	Chinese
Mr. Lau Ying Kit (劉英傑)	Flat A, Floor 20 Block D, The Grandville 2 Lok Kwai Path, Fo Tan Shatin, NT Hong Kong	Chinese
<i>Senior Management</i>		
Mr. Lo Wai Kit (盧偉傑)	Flat A, Floor 11, Block 5 Wonderland Villas 9 Wah King Hill Road Kwai Chung, NT Hong Kong	Chinese
Ms. Bian Xiaodan (邊曉丹)	Unit 6, S10-1 Wantong Xinxin Jiayuan Tianzhu Area, Shunyi District Beijing, the PRC	Chinese
Mr. Wang Zhiwei (王志偉)	No. 101, Section 1 Building No. 32 Nanhuxincun Middle Street Chaoyang District Changchun, Jilin Province 130033, the PRC	Chinese
Mr. Meng Xiange (孟憲革)	Group 11, Yanchun Committee Jiangong Street Yanji, Jilin Province 133000, the PRC	Chinese

For detailed information on our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

**DIRECTORS, SENIOR MANAGEMENT AND
PARTIES INVOLVED IN THE GLOBAL OFFERING**

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

GF Capital (Hong Kong) Limited
29th-30th Floors, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**Sole Global Coordinator, Joint
Bookrunner and Joint Lead
Manager**

**GF Securities (Hong Kong) Brokerage
Limited**
29th-30th Floors, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

**China Industrial Securities International Capital
Limited**
7/F, Three Exchange Square
8 Connaught Place Central
Central
Hong Kong

**China Securities (International) Corporate Finance
Company Limited**
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Innovax Securities Limited
Unit A-C 20/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

SPDB International Capital Limited
Suites 3207-3212
One Pacific Place
88 Queensway
Hong Kong

Yue Xiu Securities Company Limited
13/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

Joint Lead Managers

**China Investment Securities International Brokerage
Limited**
Unit Nos. 7701A & 05B-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**DIRECTORS, SENIOR MANAGEMENT AND
PARTIES INVOLVED IN THE GLOBAL OFFERING**

Founder Securities (Hong Kong) Limited

21st Floor
33 Des Voeux Road Central
Central
Hong Kong

Co-Lead Managers

CNI Securities Group Limited

10/F, Sun's Group Centre
200 Gloucester Road
Wanchai
Hong Kong

Head & Shoulders Securities Limited

Room 2511
25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Chiu & Partners

40/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices

6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022, the PRC

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-111
Cayman Islands

**DIRECTORS, SENIOR MANAGEMENT AND
PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Legal advisers to the Sole Sponsor
and the Underwriters** *As to Hong Kong law*
P. C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

As to PRC law
Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing 100025, the PRC

Reporting accountants **KPMG**
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Receiving bank **Wing Lung Bank Limited**
Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of business in Hong Kong	Room 6636, 66th Floor, The Center 99 Queen's Road Central Central, Hong Kong
Headquarters in the PRC	No. 2101, Unit 1 Block 23, Zone G Solana 2, Erdao District Changchun, Jilin Province, the PRC
Company's website address	www.united-strength.com <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Lo Wai Kit (盧偉傑先生) <i>member of HKICPA</i> Flat A, Floor 11 Block 5, Wonderland Villas 9 Wah King Hill Road Kwai Chung, NT Hong Kong
Authorised representatives	Mr. Xu Huilin (徐輝林先生) Unit 601, Block 4 Building No. 20 Dinghui Dongli Haidian District Beijing, the PRC Mr. Lo Wai Kit (盧偉傑先生) Flat A, Floor 11 Block 5, Wonderland Villas 9 Wah King Hill Road Kwai Chung, NT Hong Kong
Audit Committee	Mr. Lau Ying Kit (劉英傑先生) (Chairman) Ms. Su Dan (蘇丹女士) Mr. Yu Chen (于臣先生)
Remuneration Committee	Mr. Yu Chen (于臣先生) (Chairman) Mr. Liu Yingwu (劉英武先生) Ms. Su Dan (蘇丹女士)

CORPORATE INFORMATION

Nomination Committee	Ms. Su Dan (蘇丹女士) (Chairman) Mr. Xu Huilin (徐輝林先生) Mr. Yu Chen (于臣先生)
Compliance adviser	GF Capital (Hong Kong) Limited
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	China Construction Bank, Yanbian Korean Autonomous Prefecture Branch (中國建設銀行延邊朝鮮族自治州分行) No. 238, Guangming Street Yanji City Jilin Province, the PRC Industrial and Commercial Bank of China, Erdao Branch (中國工商銀行長春二道支行) No. 1600, Jilin Road Erdao District, Changchun City Jilin Province, the PRC

INDUSTRY OVERVIEW

We have extracted and derived certain information in this section from various government or official sources that are publicly available and the commissioned report from F&S. Unless otherwise specified, information concerning China and Jilin Province vehicle gas refuelling station market is derived from the F&S Report. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading or that any fact has been omitted that would render such information materially false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers, or any party involved in the Global Offering and no representation is given as to its accuracy. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the F&S Report up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

SOURCE OF INFORMATION

We engaged F&S, an independent global consulting firm, to prepare the F&S Report for use in this prospectus. Founded in 1961 in New York, F&S offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

The F&S Report is prepared by F&S independent of our influence. We agreed to pay F&S a fee of RMB1,130,000 for the preparation and use of the F&S Report, and we believe that such fee reflects market rates. The statistics presented in the F&S Report are not skewed in favour of us. F&S is independent of and not connected with our Company (within the meaning of the Listing Rules).

Research Methodologies and assumptions

In compiling and preparing the F&S Report, F&S has adopted the following methodologies:

- conducting primary research which involves discussing the status of the industry with leading industry participants, government officials and industry experts;
- conducting secondary research including, amongst others, reviewing company reports, independent research reports and data based on F&S's own research database and data from government publications and industry sources; and
- preparing historical data analysis and projection of total market size by comparing macroeconomic data and specific related industry drivers.

INDUSTRY OVERVIEW

F&S prepared the research report based on the following assumptions:

- China’s economy is likely to maintain steady growth in the next decade;
- China’s social, economic, and political environment is likely to remain stable in the forecast period; and
- market drivers, such as growth of China’s economy and improving urbanisation, China’s adjustment of energy structure, more market-oriented natural gas pricing structure, increasing supply of natural gas, widespread calls for energy-saving and emission reduction, increasing demand for alternative energy vehicle and long lasting fuel efficiency of natural gas are likely to drive the growth of China’s and Jilin Province’s vehicle gas refuelling station market.

RELIABILITY OF INFORMATION IN THE F&S REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the F&S Report. Our Directors believe that the F&S Report is reliable and not misleading as F&S is an independent professional research agency with extensive experience in its profession.

VEHICLE GAS REFUELLING STATION MARKET OF CHINA AND JILIN PROVINCE

Overview of Vehicles by Energy Source in China and in Jilin Province

Traditionally, vehicles run on petroleum-based gasoline and diesel such as gasoline and diesel. However, an increasing number of vehicles worldwide are powered by alternative gas fuels such as natural gas (which can be divided into CNG and LNG) and LPG in recent years. The characteristics of different types of commonly used vehicle fuels are set out as follows:

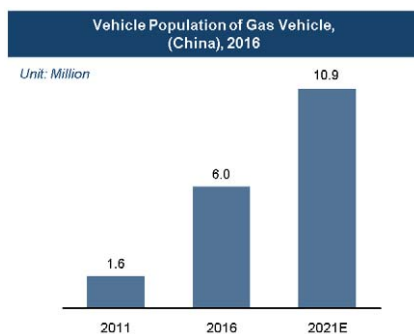
	Gasoline	CNG	LNG	LPG	Electricity
Main ingredients	• Alkane	• Methane	• Methane	• Propane and Butane	• Storage Battery
Environmental impact	• Exhaust emission and cause air pollution	• Few pollutants	• Few pollutants	• Releases CO ₂	• Few pollutants
Facilities convenience	• Completely developed • Widespread availability	• Relatively highly developed • Decent availability	• Relatively highly developed • Decent availability	• Gradually closed and replaced by natural gas	• Developing stage • Less availability
Safety	• Relatively inflammable	• Relatively easy to disperse with minimal risk	• Relatively easy to disperse with minimal risk	• Highly inflammable	• Relatively safe

INDUSTRY OVERVIEW

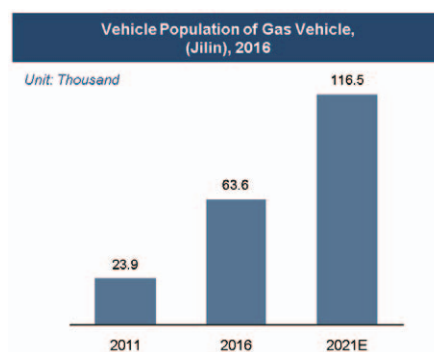
In both China and Jilin Province, although Oil-fuelled Vehicles remained as the most commonly used vehicles type by the public from 2011 to 2016, there had been a steady growth in the number and percentage of Gas Vehicles, mostly CNG vehicles, since 2011.

Based on the F&S Report, in China, the number of Oil-fuelled Vehicles increased from around 104.4 million in 2011 to around 187.3 million in 2016. Despite the increase in number, its percentage of China's total vehicle population slightly decreased from around 98.5% to around 96.3% over the same period whilst the number of Gas Vehicles, mostly CNG vehicles, increased sharply from around 1.6 million in 2011 to around 6.0 million in 2016, representing an increase in the percentage of China's total vehicle population from around 1.5% to around 3.1% over the same period. In 2021, the number and percentage of Gas Vehicles in China are expected to further increase to around 10.9 million representing around 3.4% of China's total vehicle population.

Meanwhile, the number of Gas Vehicles in Jilin Province, mostly CNG vehicles, increased from around 23,900 in 2011 to around 63,600 in 2016, representing an increase in the percentage of Jilin Province's total vehicle population from around 1.2% to around 1.8% over the same period. In 2021, the number of Gas Vehicles in Jilin Province is expected to further increase to around 116,500, representing around 2.4% of Jilin Province's total vehicle population. The diagrams below set forth the Gas Vehicles population in China and Jilin Province in 2011 and 2016, and the forecasted figures in 2021:



Source: Ministry of Public Security; Frost & Sullivan



Source: Jilin Statistic Bureau; Frost & Sullivan

Although Gas Vehicles market is still in a developing stage in China and Jilin Province, the number and percentage of Gas Vehicles increased from 2011 to 2016 and are expected to increase continuously in future. The increasing popularity of Gas Vehicles indicates an increasing demand for vehicle gas refuelling services which creates opportunities for the vehicle gas refuelling station market to flourish.

INDUSTRY OVERVIEW

Market Drivers of Vehicle Gas Refuelling Station Market in China and Jilin Province

Increasing awareness of environmental protection

With a constant increase in the number of vehicles, emission has become a major source of air pollution. Compared with Oil-fuelled Vehicles, natural gas vehicles can reduce polluting substances in exhaust gas and eliminate harmful substances to humans, such as lead, benzene and hydrocarbon. Therefore, natural gas vehicles are generally considered as green and environmental-friendly. Under the current widespread call for environmental protection in the PRC, natural gas vehicles are becoming more popular and starting to replace Oil-fuelled Vehicles, which lead to a greater demand for vehicle natural gas refuelling services.

Strong policy support on natural gas utilisation in transportation sector

In recent years, the PRC government had issued a series of policies to support further development and utilisation of natural gas and natural gas vehicles. “Guidelines of Energy Work in 2017” (《2017年能源工作指導意見》) issued by National Energy Administration of the NDRC in 2017 acknowledged that the promotion of “Oil to Gas” projects (“油改氣”工程) for transportation vehicles should be a key focus of the government. Under “Action Plan of Energy Development Strategy (2014-2020)” (《能源發展戰略行動計劃(2014-2020年)》) released in 2014 by the State Council, the PRC government planned to increase the share of natural gas in primary energy consumption from 6.2% in 2016 to 10% in 2020, and to promote the substitution of oil fuel by natural gas in transportation sector. In addition, many private enterprises were encouraged to enter the vehicle natural gas market by the PRC government. In June 2017, the SAT issued the Notice on Simplifying the Relevant Policies on Value-added Tax Rates (《關於簡併增值稅稅率有關政策的通知》) and lowered the VAT of natural gas business from 13% to 11%. The preferential taxation for natural gas industry will reduce the operating cost of natural gas related businesses which helps increase the profit margin for natural gas enterprises. According to the 13th Five Year Plan on Natural Gas Development (《天然氣發展“十三五”規劃》), the application of natural gas in transportation section is encouraged and it is expected that the number of Gas Vehicles and the number of gas refuelling stations will reach to approximately 10 million and approximately 12,000 by 2020 respectively.

Similar policies had been issued by the local government in Jilin Province to support the development of local vehicle natural gas refuelling station market. Pursuant to the “Plan of Changchun’s Vehicle Gas Refuelling Station Layout (2016-2030)” (《長春市加氣站佈局專項規劃(2016-2030)》) issued by Changchun Public Utilities Bureau in 2016, the local government planned to increase the number of vehicle gas refuelling station from 51 in 2015 to 84 in 2020, including 15 LNG stations. According to the “Plan of Air Pollution Control by Promoting the “Gasified Jilin Project”” (《加快推進“氣化吉林”防治大氣污染規劃》), the local government planned to further promote the utilisation of natural gas with various measures, including upgrading the technological standards of natural gas in transportation field as well as the furthering the construction and development of natural gas refuelling stations and natural gas vehicles and the vehicle natural gas consumption volume in Jilin Province is expected to reach to around 1.7 billion m³ by 2020. Strong and concrete policy support on natural gas utilisation is expected to lead to a growing demand for natural gas vehicles and natural gas refuelling services which encourages the development of vehicle natural gas refuelling station market.

INDUSTRY OVERVIEW

Long lasting fuel efficiency of natural gas fuel

Natural gas fuel, such as CNG and LNG, achieves a higher engine thermal efficiency when compared with oil fuel in spite of the slumping oil price in recent years. In particular, production and retrofitting technologies of natural gas vehicles have undergone considerable development in recent years, giving rise to natural gas vehicles of higher stability and quality and a boost in consumer confidence in natural gas vehicles. According to the F&S Report, in 2016, for light duty vehicle, including passenger vehicle, light duty truck and small bus, the fuel cost of CNG vehicle was around RMB0.4-0.5/km and was lower than that of gasoline vehicle which was around RMB0.4-0.9/km in Jilin Province. In comparison, in China, the fuel cost of CNG light duty vehicle was around RMB0.3-0.5/km and was lower than that of gasoline vehicle which was around RMB0.4-1.0/km in 2016. Moreover, the engine service life of natural gas vehicle is much longer than that of Oil-fuelled Vehicle as natural gas is a cleaner energy source. These cost-saving features of natural gas fuel encourage drivers to replace their Oil-fuelled Vehicles with natural gas vehicles. Based on the F&S Report, the percentage of Gas Vehicles, mostly CNG vehicles, in China's total vehicle population increased from approximately 1.5% in 2011 to 3.1% in 2016. In Jilin Province, the percentage of Gas Vehicles also recorded an increase from approximately 1.2% in 2011 to 1.8% in 2016. The gradual conversion from Oil-fuelled Vehicles to natural gas vehicles in China and Jilin Province drove and will continue to drive the demand for natural gas refuelling services. With an increasing number of natural gas vehicles, the market size of gas refuelling station industry also increases, which creates opportunities for the growth of market players.

Foreseeable market consolidation brings up healthy competition landscape in Jilin Province

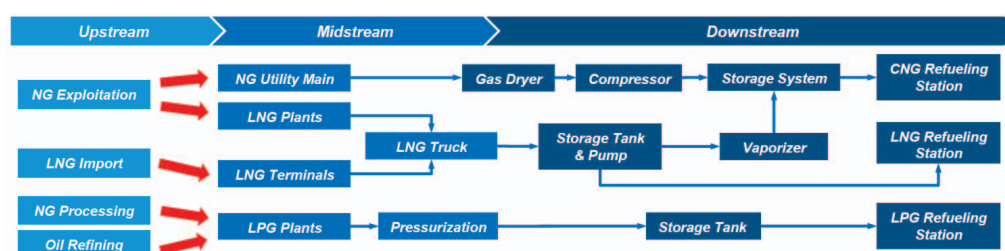
Currently, there are many small-sized vehicle gas refuelling station operators in Jilin Province. According to Frost & Sullivan, it is estimated that these private gas refuelling station operators will face intensive competition in terms of pricing, branding and service quality which will lead to further market consolidation. This foreseeable market restructuring is likely to bring a new round of business expansion opportunities for experienced and large-scale private gas refuelling operators in Jilin Province, which possess stronger capital force, more established brand, higher bargaining power and may benefit from economy of scale. As a result, the market is expected to be consolidated, allowing large-scale gas refuelling station operators in Jilin Province to form a healthy competition landscape and in turn drive the benign development of the provincial vehicle gas refuelling station market.

In view of the promotion of environmental friendly energy source and the long lasting fuel efficiency of natural gas as mentioned above, the number and percentage of Gas Vehicles in China are expected to increase to around 10.9 million, representing around 3.4% of China's total vehicle population in 2021. Meanwhile, in Jilin Province, the number of Gas Vehicles is expected to increase to around 116,500, representing around 2.4% of Jilin Province's total vehicle population in 2021. We, as one of the leading vehicle gas refuelling station operators in Jilin Province, believe that our business operation and future development will benefit from the increased population of Gas Vehicle and the consequential growing demand for gas refuelling services.

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Industry Chain of Vehicle Gas Refuelling Station Market

The industrial chain of vehicle gas industry consists of three segments, including: (i) upstream gas supply; (ii) midstream gas processing, transportation and distribution; and (iii) downstream end-user consumption in vehicle gas refuelling stations. The following diagram briefly sets out the industrial chain of vehicle gas industry:-



Source: F&S Report

The main suppliers of vehicle gas refuelling station business are midstream fuel suppliers, including natural gas suppliers for CNG and LNG and oil refiners for LPG, and fuels transportation service providers, such as fuels logistic companies. According to the F&S Report, CNG refuelling station operators generally purchase CNG from CNG midstream gas processors through transportation in gas tankers while LPG refuelling station operators typically procure LPG from LPG manufacturers, such as local oil refineries. LNG refuelling station operators primarily procure LNG from LNG terminal operators and LNG manufacturers. After the fuels are transported to the refuelling stations, refuelling station operators then provide vehicle gas refuelling services for vehicle end-users, including individual vehicle drivers, taxi drivers, logistics companies, bus operators and driving academies.

Operation of Gas Refuelling Stations by Third Party in China and Jilin Province

According to the F&S Report, it is commonly seen in China and Jilin Province that owner of gas refuelling stations and the necessary operation licences will entrust the operation of gas refuelling station to a third party in exchange of a fee. This operation model is typically done either by way of lease arrangement or entrusted operation arrangement. Under lease arrangement, the operation licences will be updated and registered under the leasee during the term of the lease while under entrusted operation arrangement, the operation licences will not be passed to the operator. The share of profit, ownership of properties, right of use, rights and obligations of the parties and risks exposures between lease arrangement and entrusted operation arrangement are largely similar. Between the two arrangements, lease arrangement is more common than entrusted operation arrangement in the industry.

Under both lease arrangement and entrusted operation arrangement, owner of gas refuelling station typically charges the operator a fixed fee which is determined with reference to the actual and

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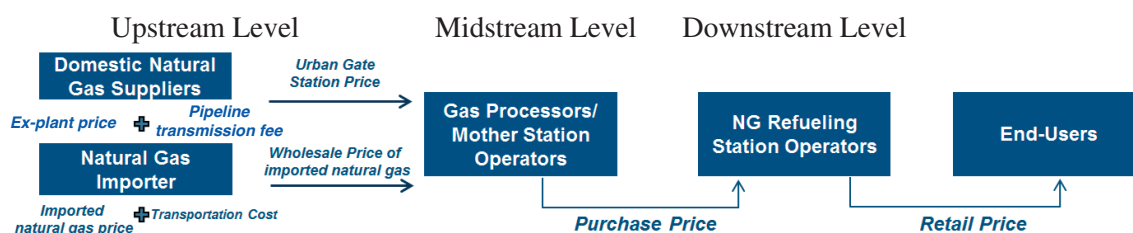
expected sales of that gas refuelling station. For a refuelling station with a gas sales volume of 5,000 m³/day, 10,000 m³/day and 20,000 m³/day, a fixed annual fee of RMB100,000 to RMB300,000, RMB300,000 to RMB600,000 and RMB600,000 above will be charged respectively according to the F&S Report.

Pricing System of Vehicle Natural Gas Refuelling Station Market

The pricing system of vehicle natural gas in China and Jilin Province is divided into three levels. At upstream level, natural gas in the PRC are either extracted from domestic natural gas supplies or imported overseas. Domestic natural gas suppliers are mainly the Big Three Oil Giants. Natural gas extracted domestically is priced with reference to the wellhead costs which primarily include gas exploration and extraction costs while imported natural gas is priced with reference to import cost, which reflects the price of international natural gas price. According to F&S, in 2016, approximately 65% of natural gas (or 133.9 billion m³) supply in the PRC is produced domestically, while approximately 35% of natural gas (or 72.1 billion m³) being imported overseas. As a result, natural gas price in the PRC is subject to demand and supply of both domestically extracted gas and imported gas, as well as such other factors which affect the their respective prices.

With respect to the Urban Gate Station Price set by NDRC, it is normally comprised of the ex-plant price (including wellheads cost, purification costs and other miscellaneous costs) and pipeline transmission fee. As the PRC is a sizable importer of natural gas, and the import cost/purchase price of natural gas in Asian market reflects the price of international crude oil, the upstream pricing of natural gas is also subject to international crude oil price during the Track Record Period and up to the Latest Practicable Date.

At midstream level, gas processors and mother station operators process and redistribute vehicle natural gas to local refuelling station operators at the purchase price. At downstream level, local refuelling station operators sell the vehicle natural gas to end-users through their refuelling station networks at the retail price, which has undergone the trend of marketisation in Jilin Province since late 2015. Generally speaking, a change in the upper stream pricing would be passed onto its next level of suppliers, although the speed of price conduction could be subject to lagging effect. Hence, both the purchase price at which refuelling station operators purchase their raw materials and the retail price charged by refuelling stations are affected by a range of factors, including among others, the market demand and supply of natural gas, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil. The following diagram briefly sets out the pricing system of vehicle natural gas in China:-



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Source: F&S Report

* Note:

1. Ex-plant price includes but is not limited to wellheads cost, purification costs and other miscellaneous cost.
2. Urban Gate Station Price includes ex-plant price and transmission costs.

Raw material price analysis

(1) Price of fuels supply

The purchase price of vehicle natural gas of each province is closely related to the adjustment of the Urban Gate Station Price stipulated by the NDRC since 2013 which regulates the maximum purchase price charged by upstream gas suppliers. According to the pricing guidelines issued by the NDRC, the Urban Gate Station Price in Jilin Province was adjusted four times from 2013 to 2016. The Urban Gate Station Price in Jilin Province decreased from RMB2.46/m³ in February 2015 to RMB1.76/m³ in November 2015 by around 28.5% alongside the decrease in international crude oil price and has remained at RMB1.76/m³ since November 2015. In future, the purchase price fluctuation of natural gas is affected by a range of factors, including among others, the market demand and supply of natural gas, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil. The diagram below sets forth the Urban Gate Station Price in Jilin Province from 2013 to 2016:

Standard Non-residential Urban Gate Station Price in Jilin Province, 2013- 2016

Date	Urban Gate Station Price (RMB/m ³)
June 2013	2.46 <i>Note</i>
August 2014	2.66 <i>Note</i>
February 2015	2.46
November 2015	1.76

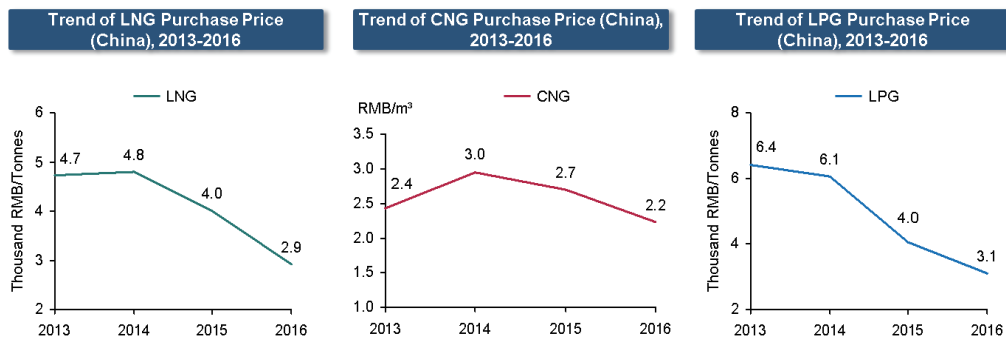
Note: Before the converging of stock gas and incremental gas in 2015, the Urban Gate Station Price in 2013 and 2014 presented are the average price of stock gas and incremental gas.

Source: NDRC, Frost & Sullivan

The purchase price of LNG and CNG from midstream and local gas manufacturers in China is affected by a range of factors, including among others, the market demand and supply of natural gas, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil. According to the F&S Report, the purchase price of LNG in China decreased from RMB4,700/tonne in 2013 to RMB2,900/tonne in 2016. The purchase price of CNG first increased from RMB2.4/m³ in 2013 to RMB3.0/m³ in 2014 and then decreased to RMB2.2/m³ in 2016. The decrease in purchase price of CNG and LNG was mainly attributable to (i) the decrease in international crude oil price and the Urban Gate Station Price and (ii) the price reform of natural gas conducted by the PRC government over the relevant period. The LPG purchase price

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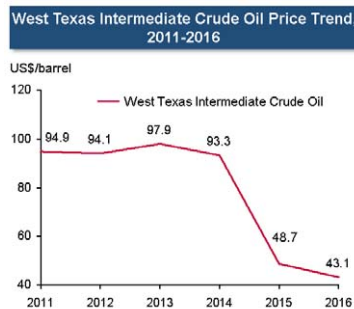
decreased from RMB6,400/tonne in 2013 to RMB3,100/tonne in 2016, mainly due to the decrease in demand for LPG. In Jilin Province, the purchase price of CNG experienced a decrease from 2013 to 2016 mainly due to the increase in supply of natural gas as result of the completion of Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線) and the decrease in international crude oil price over the same period. The diagram below sets forth the purchase price of LNG, CNG and LPG in China from 2013 to 2016:



Note: The purchase price of LNG is the average price of import price and domestic ex-plant price of LNG in China. The purchase price of CNG is the average domestic ex-plant price in China. The data before 2013 is not available.

Source: Frost & Sullivan

The decrease in Urban Gate Station Price and the purchase price of LNG, CNG and LPG from 2014 to 2016 was affected by, amongst others, the decrease in the international crude oil price over the same period. For example, the West Texas Intermediate Crude Oil Price decreased from US\$93.3/barrel in 2014 to US\$43.1/barrel in 2016. The diagram below sets forth the historical price trend of West Texas Intermediate Crude Oil from 2011 to 2016:



Source: U.S. Energy Information Administration; F&S

(2) CNG transportation fee

According to the F&S report, no official price data on the CNG transportation fee in China or Jilin Province is available. The generally recognised CNG transportation fee in Jilin Province's CNG refuelling station market was at a range of approximately RMB0.4/m³ to RMB0.6/m³ per 100km in

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2016. The pricing of transportation fee of CNG, LNG and LPG are generally affected by following factors, including but not limited to, (i) total transportation volume over the period; (ii) transport capacity of the transport vehicles; (iii) transport distance between the primary and secondary refuelling station; and (iv) special weather conditions. The market price range of the transportation fee of CNG, LNG and LPG were stable in the past few years and is expected to remain stable in the next five years.

Retail price analysis in Jilin Province

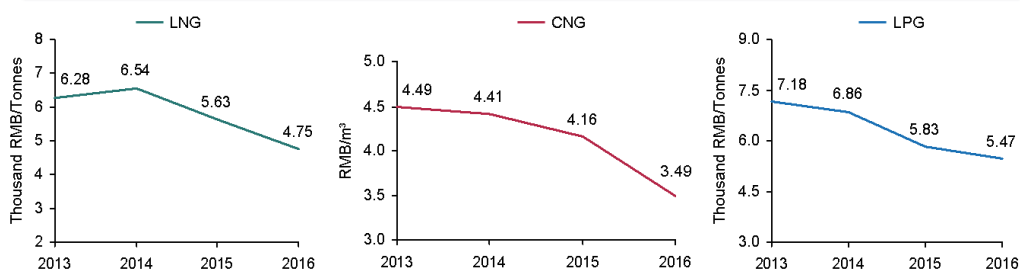
Ceiling Sales Price of CNG in Changchun (RMB/m³), 2010- 2016

Date	CNG Sales Price (RMB/m ³)
April 2010	3.70
November 2010	4.09
August 2013	4.42
September 2014	4.82

Source: Changchun NDRC; F&S

According to the F&S Report, the ceiling sales price of CNG in Changchun City showed a rising trend from RMB3.70/m³ in 2010 to RMB4.82/m³ in 2014. In China, the local natural gas sales price used to be controlled by local government according to the guiding price of non-resident natural gas issued by the NDRC in the past. For example, the ceiling sales price of CNG in Yanji City was different from that in Changchun City. In the past, the local government set a ceiling sales price for the local vehicle gas refuelling station companies and the gas station operators were free to set their own sales price below the ceiling price. Since late 2015, the local government and pricing authorities in Jilin Province abolished the price ceiling of the retail price of vehicle gas and allowed local vehicle gas refuelling station operators to set their own retail price according to the local market conditions where appropriate. As at the Latest Practicable Date, the ceiling sales price is not applicable in Jilin Province.

Retail Price of Vehicle Gas Refuelling Station Market, (Jilin), 2013- 2016



Note: Data before 2013 is not available. The retail price of CNG includes that of L-CNG.

Source: Jilin Price Bureau, F&S

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According to the F&S Report, the retail price of CNG, LPG and LNG at vehicle gas refuelling station market in Jilin Province showed an overall trend of decline along with an overall decrease in the upstream purchase price of the respective gas fuels from 2014 to 2016 due to the price conduction mechanism of the industry according to which the international crude oil price indirectly influences the purchase price, and the retail price is in turn influenced by the purchase price with a lagging effect during the price conduction from upstream to downstream. The retail price of CNG decreased from RMB4.49/m³ in 2013 to RMB3.49/m³ in 2016 in Jilin Province. The retail price of LPG decreased from RMB7,180/tonne in 2013 to RMB5,470/tonne in 2016 in Jilin Province. Meanwhile, the retail price of LNG first increased from RMB6,280/tonne in 2013 to RMB6,540/tonne in 2014 and then decreased to RMB4,750/tonne in 2016 in Jilin Province. Reasons for the decrease in retail price of CNG and LNG include, amongst others, an increase in natural gas supply as a result of the completion of Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線) and the abolition of price ceiling control in vehicle gas by local government. Moreover, the decrease in retail price of CNG, LPG and LNG was attributable to the decrease in purchase price of the respective gas fuels over the same period.

Nevertheless, in light of and as witnessed in the US energy market, the development of shale mining and its consequential increase in supply of natural gas led to US natural gas price to decouple from US oil and international gas price, it is expected that if (i) shale mining technology further advances, causing global increase in the supply of natural gas and potentially lower import price of natural gas in the PRC and/or (ii) the PRC government decides to promote shale mining in the future, leading to significant increase in the domestic supply of natural gas, the existing correlation between natural gas price and international crude oil price may be weakened. In 2016, the production volumes of shale-gas were 450 billion m³ (or approximately 60% of U.S.'s total natural gas production) and 7.9 billion m³ (or approximately 5.8% of China's total natural gas production) in the US and in the PRC, respectively. According to F&S, shale gas activity is relatively small in scale and lagging behind in development in China presently and China remains as a major importer of natural gas in the world. As such, the economic impact of shale mining on the price of natural gas in the PRC is relatively low at current stage even though the PRC is in possession of relatively abundant shale gas reserves. Our Directors believe that if shale mining technology further advances and/or if the PRC government decides to promote shale mining in the future, the correlation between the price trend of international crude oil and the costs of CNG and LNG will weaken. As such, according to F&S, in the remaining months of 2017, the retail price and purchase price of CNG, LPG and LNG are expected to continue to be affected by the same factors which affected such prices during the Track Record Period, such as the market demand and supply of natural gas, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil. In view of the relatively stable trend of the prices for international crude oil, F&S is of the view that the purchase price and retail price of CNG, LNG and LPG is likely to remain stable in the remaining months of 2017, subject to material changes in international political development.

Market Size of CNG Refuelling Station Market in China and Jilin Province

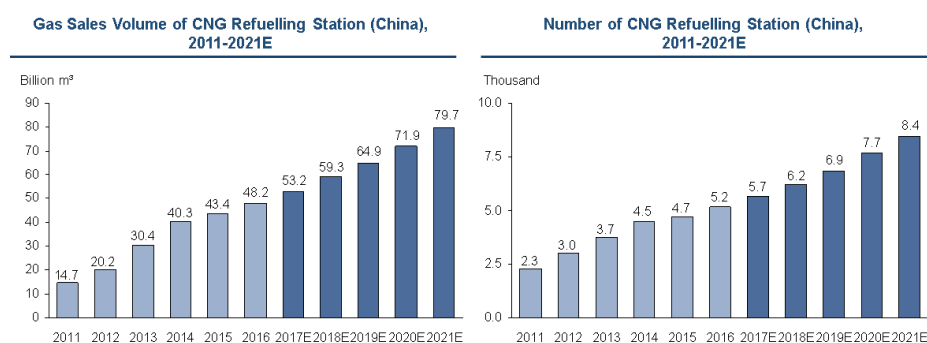
In China

According to the F&S Report, the gas sales volume of CNG refuelling station in China continued to grow under the widespread promotion of natural gas vehicles in the past few years. Massive amount of CNG refuelling stations were constructed in order to cater for the increasing demand for vehicle

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natural gas. The gas sales volume of CNG refuelling station in China increased from around 14.7 billion m³ in 2011 to around 48.2 billion m³ in 2016 with a CAGR of around 26.9%. The number of CNG refuelling station in China also increased from around 2,300 in 2011 to around 5,200 in 2016 with a CAGR of around 17.5%.

Looking forward, under the development of natural gas industry and further promotion of clean energy by the PRC government, both the gas sales volume of CNG refuelling station and the number of CNG refuelling station are expected to increase continuously. According to the forecast of F&S, the gas sales volume of CNG refuelling station in China is anticipated to reach around 79.7 billion m³ in 2021, representing a CAGR of around 10.6% from 2016 to 2021 and the number of CNG refuelling station in China is expected to increase to around 8,400 in 2021 with a CAGR of around 10.3% from 2016 to 2021. The diagrams below illustrate the gas sales volume of CNG refuelling station and the number of CNG refuelling station in China from 2011 to 2016, and the forecasted figures from 2017 to 2021:



Note: CNG sales volume and CNG refuelling station include those of L-CNG.

Source: Society of Automotive Engineers of China, MOHURD, F&S

In Jilin Province

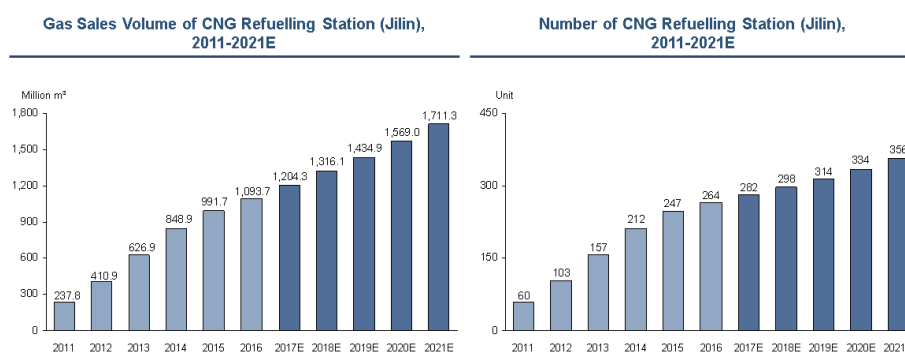
According to the F&S Report, the vehicle gas refuelling station market in Jilin Province began to develop along with government promotion for clean energy vehicles since 2000. In the early 2000s, Jilin Province vehicle gas refuelling station market was firstly developed with LPG as compared with natural gas because it was then easier to obtain LPG. With high fuel efficiency of gas and development of natural gas infrastructures, such as exploration facilities and gas pipelines, gas vehicles started to gradually replace LPG vehicles from 2006 to 2010. To cater for the increasing demand for gas refuelling services, a large number of gas refuelling stations had been constructed since then.

CNG refuelling station market in Jilin Province experienced rapid development in the past few years. Under the promotion of “Gasification in Jilin” (氣化吉林工程) by the government of Jilin Province, CNG vehicle fuel was further utilised in recent years. The gas sales volume of CNG refuelling station in Jilin Province increased from around 237.8 million m³ in 2011 to around 1,093.7 million m³ in 2016 with a CAGR of around 35.7%. The number of CNG refuelling stations also increased from 60 in 2011 to 264 in 2016 with a CAGR of around 34.5%.

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Currently, the vehicle gas refuelling station market in Jilin Province is dominated by CNG refuelling stations. By the end of 2016, over 90% of the vehicle gas refuelling stations are CNG refuelling stations in terms of station number. LPG refuelling stations took up less than 10% of the vehicle gas refuelling stations and most of which were located in relatively small and remote cities and counties in Jilin Province. LNG refuelling stations market is still in the initial developing stage in Jilin Province and only around 10 to 20 LNG refuelling stations were operated by 2016.

In the future, with the government's continuous promotion of natural gas energy and improving natural gas infrastructures, such as construction of gas station and pipeline system, Jilin Province vehicle gas refuelling station market is expected to continue to grow. According to the forecast of F&S, CNG sales volume of vehicle gas refuelling station in Jilin Province is projected to increase to around 1,711.3 million m³ in 2021, representing a CAGR of around 9.4% from 2016 to 2021, and the number of CNG refuelling station is expected to increase to around 356 in 2021 with a CAGR of around 6.2% from 2016 to 2021. The diagrams below illustrate the gas sales volume of CNG refuelling station and the number of CNG refuelling station in Jilin Province from 2011 to 2016, and the forecasted figures from 2017 to 2021:



Note: CNG sales volume and CNG refuelling station include those of L-CNG.

Source: F&S Report

As one of the leading vehicle natural gas refuelling station operators in Jilin Province in terms of CNG sales volume and the number of CNG refuelling station which focuses on the provision of CNG refuelling services, our Directors believe that the increasing sales volume of CNG at refuelling station represents a larger market and development potential for our Group.

Competitive Landscape Analysis

According to the F&S Report, China's vehicle natural gas refuelling station market is operated by two major types of market participants: (1) the Big Three Oil Giants; and (2) a massive number of independent operators. In 2016, there were over 100 vehicle natural gas refuelling station operators in China. The Big Three Oil Giants possess integrated industrial chain, covering the supply and transportation of natural gas, while independent operators usually purchase the natural gas and transportation services from natural gas suppliers and logistic companies.

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According to the F&S Report, the vehicle gas refuelling station market in Jilin Province has experienced rapid growth during the past several years and a considerable number of market competitors had emerged. Jilin Province's vehicle CNG refuelling station market is relatively fragmented with the top three market players taking over around 27.3% of the market share in terms of CNG sales volume in 2016. The competitive landscape of vehicle CNG refuelling station market in Jilin Province was slightly different from that of China where the Big Three Oil Giants play an important role in the market. The Big Three Oil Giants are not the major market players in Jilin Province's vehicle CNG refuelling station market in terms of the CNG sales volume as most of their CNG gas stations are combined with gasoline station with limited CNG refuelling capacity. The aggregate CNG sales volume of the Big Three Oil Giants (save for CNOOC which has limited operation in Jilin Province) in Jilin Province in 2016 was around 10%. In 2016, our Group ranked second place in Jilin Province and took up around 6.2% of Jilin Province's total CNG sales volume which represented around 0.1% of China's total CNG sales volume. The CNG sales volume in Jilin Province accounted for around 2.3% of China's total CNG sales volume in 2016. Set forth below is a brief summary of Jilin Province's competitive landscape of vehicle gas refuelling station market:

Ranking	Market player	CNG sales volume in 2016 (million m ³)	Market share (in terms of CNG sales volume in 2016) (%)
1	Competitor A	168.4	15.4
2	Our Group	67.9	6.2
3	Competitor B	62.3	<u>5.7</u>
	Top 3 sub-total	298.6	27.3
	Others sub-total	795.1	<u>72.7</u>
	Total	1,093.7	<u>100.0</u>

Notes: Competitor A and Competitor B are local private operators. CNG sales volume includes those of L-CNG and refers to retail sales volume from refuelling stations in Jilin Province. The figures may not add up due to rounding.

Source: F&S Report

The gas refuelling station market of Jilin Province shows a scattered industry concentration in terms of the station numbers. In 2016, there were 264 CNG refuelling stations in Jilin Province and the top three market players operated an aggregate number of 53 CNG refuelling stations, representing around 20.1% of the stations in Jilin Province according to F&S Report. The majority of CNG refuelling station in Jilin Province were small-scale stations operated by local private companies and most of those local private operators operated one to two gas stations only.

Entry Barriers to Vehicle Gas Refuelling Station Market in China and Jilin Province

Certification and qualification barrier

A company which intends to construct and operate a vehicle gas refuelling station has to obtain the operating licence/qualification or concession operation rights from the local government. In

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addition, a new entrant has to obtain local government's permission for gas refuelling station building. The entire process of establishing a gas refuelling station includes government's permission for station building, site selection, project approval, project design, construction approval, construction, acceptance tests etc. A new entrant may not be able to obtain the required certifications, credentials and qualifications for the construction and operation of vehicle gas refuelling station.

Capital barrier

Vehicle gas refuelling station market is a relatively capital-intensive industry. The intended operator needs to invest massively in both infrastructure construction, gas condensation and transportation facilities when building a vehicle gas refuelling station. Moreover, the daily operation and maintenance of refuelling station also require persistent investment. Therefore, abundant initial capital is required to support the fixed costs of construction and the cost of operation. It could be difficult for a new entrant to raise the funds required and to achieve economy of scale with limited number of stations.

Gas supply capability barrier

Sustainable gas supply capability of vehicle natural gas is considered as another entry barrier to the vehicle gas refuelling station market. To ensure a stable and sufficient supply of fuels, refuelling station operators have to establish procurement channels and maintain good business relationship with midstream gas manufacturers or distributors. Further, well-equipped gas transportation facilities, such as safe-guaranteed gas transport fleet, are also a key element of the gas supply chain. It is not easy for the new entrants to establish an integrated gas supply system in a short period of time.

Safe operation experience barrier

Due to the inflammable and explosive chemical characteristic of vehicle gas fuel, most refuelling stations are equipped with high-pressure gas containers. Those containers require highly strict code of management and maintenance to prevent explosion and fire accident. Hence, vehicle gas refuelling station operators are required to allocate specific and technical staff to ensure safe daily operation. In addition, operators are required to possess the expertise and experience in dealing with emergency safety events. New entrants may lack the necessary safe operation experience for entering into the business.

Local brand recognition barrier for Jilin Province

Vehicle gas refuelling station market is regionally restricted where strong local brand recognition is a key consideration of customers. Local vehicle gas end-users prefer to refuel their Gas Vehicles at well-established and reputable refuelling stations as those stations usually guarantee safe and quality service. Given that major market players in Jilin Province have already established their brand name under years of operation, new entrants without sufficient local market recognition may find it difficult to enter into the market.

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Threats and Challenges to Vehicle Gas Refuelling Station Market in China and in Jilin Province

Price fluctuation of oil

The cost advantage of vehicle natural gas over Oil-fuelled Vehicles mainly lies in the fuel efficiency of natural gas fuel and the price difference between natural gas fuel and gasoline. Thus, the decline of international crude oil price in recent years may pose threat to the vehicle natural gas refuelling station market as the cost advantage of natural gas fuel could be offset and the Oil-fuelled Vehicles owners may be less prone to switch to use natural gas vehicles.

Supply dependence of vehicle natural gas supply

A majority of the vehicle natural gas supply for natural gas refuelling stations operators relies on midstream natural gas processors which generally rely on the upstream supply primarily controlled by the Big Three Oil Giants. Vehicle natural gas refuelling station operators with limited bargaining power have to bargain for the gas price and supply with more sizeable gas suppliers in order to maintain their daily operation.

Competition from other operators in Jilin Province

In Jilin Province's vehicle gas refuelling station market, there are a number of small-scale vehicle gas refuelling station operators who are usually rooted in one or two cities with limited gas supply and operation networks. These small-scale operators typically offer a gas sales price which is lower than the average market price to draw in customers. The competition from these small-scale operators is likely to influence the customer flow and pose threat to other operators in Jilin Province. On the other hand, if the Big Three Oil Giants or other large-scale natural gas industry players which possess immediate access to upper stream natural gas supply, expand in or enter into Jilin Province's market in the future, price competition could ensue. If these large-scale natural gas industry players undercut prices set by smaller-sized operators, the smaller-sized operators may suffer from decrease in profit margin. Nevertheless, we believe that a considerable number of customers will continue to opt for our services because of our established presence and quality services.

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Competition from New Energy Vehicles

In recent years, New Energy Vehicles achieved a rapid growth in China under the support of a series of government policies and plans, such as the Developing Plan of Energy Saving and New Energy Automotive Industry (2012-2020) issued by the State Council (《國務院關於印發節能與新能源汽車產業發展規劃 (2012-2020年) 的通知》) and the Developing Guidelines of Electric Vehicle Charging Infrastructure (2015-2020) (《電動汽車充電基礎設施發展指南 (2015-2020年)》), which promoted the construction of electric re-charging stations to increase to over 12,000 by 2020 in the PRC and stimulated investment in researches on improving re-charging technology. The PRC government also promoted New Energy Vehicles by means of government subsidies and tax exemption on both national and provincial levels. Based on the relevant central government policy, tax benefits are granted to purchasers of electric vehicles. For the period from 1 September 2014 to 31 December 2017, vehicle purchase tax is exempted for pure electric vehicles, hybrid vehicles and fuel cell vehicles. Incentives are also provided by the PRC government to consumers of New Energy Vehicles where the customers can purchase New Energy Vehicles at a price net of financial subsidies. On provincial level, tax exemption policy has been promulgated in Jilin Province for pure electric vehicles, hybrid vehicles and fuel cell vehicles since July 2015. In addition, financial subsidies have been given in Heilongjiang Province since October 2016 to purchasers of New Energy Vehicles as well as to companies building charging facilities for New Energy Vehicles. According to the F&S Report, the number of New Energy Vehicles in China increased from less than 15,000 in 2011 to approximately 1.1 million in 2016, and is expected to increase to approximately 5.1 million in 2021 (as compared to an estimate of 10.9 million Gas Vehicles in 2021), representing less than 0.02%, and approximately 0.57% and 1.59% of China's total vehicle population respectively. Based on The Plan for Medium and Long Term Development of Automobile Industry (《汽車產業中長期發展規劃》) issued by Ministry of Industry and Information Technology (工業和資訊化部), the NDRC and Ministry of Science and Technology (科技部), it is expected that annual new sales of electric vehicles shall reach 2 million in 2020.

Governmental policies aside, technological advancement of electric vehicles is also on the rise in recent years. For example, as battery technology such as the invention of rechargeable lithium-ion battery and the recent research on wireless charging of moving vehicles emerge, the maximum driving range of current models of electric cars in the PRC can reach 200km to 400km and the express charging time could be as short as 1-2 hours. Investment in researches on electric car also enables better designs of electric vehicles. Higher driving range and shorter charging time, coupled with better design have led to increasing popularity of electric vehicles. As a result, New Energy Vehicles (mainly electric vehicles) achieve higher fuel efficiency than natural gas vehicles for certain categories of vehicles. Based on the F&S Report, for light duty vehicles including passenger vehicles and light duty trucks, the fuel cost of electric vehicles in China in 2016 was approximately RMB0.1-0.2/km, which was lower than that of CNG vehicles being approximately RMB0.4-0.5/km. As such, as technology advances, the number of vehicles end-users looking for a more environmental friendly and cost-efficient vehicular fuel who opt for New Energy Vehicles instead of Gas Vehicles may increase. As an alternative to Oil-fuelled Vehicles and Gas Vehicles, the development of New Energy Vehicles may pose significant challenge to the development of Gas Vehicles in future and in turn threatens the development of natural gas refuelling station market.

REGULATIONS

This section sets forth a summary of the most significant laws and regulations that affect our business in China. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

INDUSTRY REGULATIONS

Regulation on the Administration of Urban Gas

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

Gas development planning

Regulation on the Administration of Urban Gas shall mainly apply to urban gas development planning and emergency guarantee, gas operation and service, gas using, gas facilities protection, prevention and handling of gas safety accidents and relevant administrative activities, and shall mainly include gas development planning, gas operation and service, protection of gas facilities and prevention and handling of gas safety accidents.

Gas operation and service

Pursuant to the Regulation on the Administration of Urban Gas, the state implements a licence system for gas operation.

Gas operators shall meet the following requirements:

1. Conforming to the requirements of gas development and planning;
2. Having natural gas sources and gas facilities that are in accordance with national regulations and standards;
3. Owning fixed operation places, sound safety management systems and operating plans;
4. Having well trained and qualified management personnel, safety operational management personnel, operating, fixing and emergency repairing personnel; and
5. Other requirements as provided in relevant laws and regulations.

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Enterprises meeting provisions of the Regulation on the Administration of Urban Gas will be granted with gas operation licence certificate by the gas management department under the local people's government above the county level.

Gas using

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

Protection of gas facilities

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

Prevention and handling of gas safety accidents

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

Special Equipment Safety Law

On 29 June 2013, Standing Committee of the National People's Congress ("NPCSC") promulgated Special Equipment Safety Law of the People's Republic of China (《中華人民共和國特種設備安全法》) ("**The Special Equipment Safety Law**"), which became effective as from 1 January 2014. The Special Equipment Safety Law aims to strengthen safety-related work of special equipment, prevent accidents caused by special equipment, guarantee personal safety and the safety of property and promote the development of economy and society.

Pursuant to The Special Equipment Safety Law, the state applies a licensing system to the production of special equipment based on the principle of classified supervision and administration. Entities producing special equipment may engage in production activities after complying with the following conditions and being licensed by departments in charge of the supervision and administration of special equipment safety:

1. employing professional technicians applicable for production;
2. equipped with equipment, facilities and working places applicable for production; and
3. having sound systems covering quality assurance, safety administration and work post responsibility.

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For any entity engaging in production of special equipment without licence and violating provisions hereof, it shall be ordered to stop the production, have the illegally manufactured special equipment confiscated and shall be imposed with a fine of not less than RMB100,000 but not more than RMB500,000; the illegal income shall be confiscated, if any; installation, reform, maintenance already implemented shall be restored or re-installed, re-reformed or re-maintained by a licensed entity within a time limit.

The Safety Supervision of Gas Cylinders

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

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

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

Price determination regime of natural gas

On 29 December 1997, the NPCSC promulgated the PRC Pricing Law (《中華人民共和國價格法》), which was effective as from 1 May 1998. According to the PRC Pricing Law, the government is implementing and gradually optimising the pricing mechanisms mainly formed by the market under macroeconomic control policies. Most merchandise and services adopt the market price.

Pursuant to the PRC Pricing Law, the competent departments of price and other departments concerned under the State Council shall determine the government-guided prices and government-set prices in pursuance of the pricing authority and the specific applicable scope provided for in the Central Pricing Catalogue, among which the government-guided prices and government-set prices of essential commodities and services shall be submitted to the State Council for approval in accordance with the provisions.

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The competent departments of price and other departments concerned of people's governments of autonomous regions and municipalities directly under the central government shall determine the government-guided prices and government-set prices for implementation in their respective areas in pursuance of the pricing authority and specific applicable scope provided for in Local Pricing Catalogues.

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

On 12 October 2015, the Communist Party of China ("CPC") Central Committee and the State Council promulgated Several Opinions of the CPC Central Committee and the State Council on Advancing the Pricing Mechanism Reform ("中共中央國務院關於推進價格機制改革的若干意見") (Zhong Fa [2015] No. 28) ("**Several Opinions on Advancing the Pricing Mechanism Reform**"), effective as from the date of promulgation. According to the Several Opinions on Advancing the Pricing Mechanism Reform, the price reform of natural gas should be accelerated, the price for commodities with competitive conditions should be deregulated, and the role of the market should be given full play to determine the price. Several Opinions on Advancing the Pricing Mechanism Reform also sets out the principle of accelerating the market-oriented price reform for energy, and that the source and the sale price of natural gas should be deregulated as soon as possible.

According to the Circular on Reducing the Gate Station Prices of Natural Gas Used for Non-residential Purpose and Further Accelerating the Market-oriented Price Reform (Fa Gai Price [2015] No.2688) (關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知(發改價格[2015]2688號)), which was promulgated by NDRC on 18 November 2015, the local government may deregulate the price of natural gas used for non-residential purpose where appropriate, on the basis of improving the regulatory rules according to the local situations.

On 28 November 2016, the CPC Jilin Provincial Committee and the Jilin Provincial People's Government promulgated Implementation Opinions on Advancing the Pricing Mechanism Reform (Ji Fa [2016] No. 24) (中共吉林省委、吉林省人民政府《關於推進價格機制改革的實施意見》(吉發[2016]24號)), effective as from the date of promulgation, which requires to release the source of natural gas and the sales price of non-residential gas where appropriate.

On 27 March 2015, the Jilin Provincial Price Bureau forwarded Circular of the National Development and Reform Commission on Rationalizing the Prices of Natural Gas Used for Non-residential Purposes (Ji Sheng Jia Ban Dian [2015] No. 4) ((吉林省物價局轉發國家發展改革委《關於理順非居民用天然氣價格的通知》(吉省價辦電[2015]4號)). Under the conditions of proper price risk assessment and that the stability of the taxi industry is secured, the price for vehicle gas should be deregulated and adjusted according to market conditions.

Pursuant to the Circular on Reducing the Gate Station Prices of Natural Gas Used for Non-residential Purpose and Further Accelerating the Market-oriented Price Reform (Chang Fa Gai Price [2015] No. 216) (長春市發改委轉發吉林省物價局關於降低非居民用天然氣門站價格並進一步

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推進價格市場化改革的通知(長發改價格[2015]216號)), which was promulgated by Changchun Development and Reform Commission on 19 November 2015 and came into effect on 20 November 2015, according to the spirit of further accelerating the market-oriented natural gas price by the nation and provinces, the sale price of natural gas for vehicles (CNG and LNG) should be liberalized and determined by the selling enterprises under the premises of stable supply and full competition of the city's vehicles' natural gas market.

Pursuant to the Circular on Implementing National and Provincial Non-resident Natural Gas Price Policies and Related Issues (Ji Shi Jia Fa [2015] No. 62) (吉林市物價局《關於落實國家和省非居民用天然氣價格政策及有關問題的通知》(吉市價發[2015]62號)), which was promulgated by Jilin Price Bureau on 17 December 2015, the sale price of natural gas for vehicles should be liberalized and determined by the market.

Pursuant to Heilongjiang Province Pricing Catalogue (Hei Price [2015] No. 119) (黑龍江省物價監督管理局《黑龍江省定價目錄》(黑價[2015]119號)), which was promulgated on 29 May 2015 and became effective on 1 July 2015, the sales price of vehicle gas shall be regulated by the Municipal People's Government (Administrative Department), the County (City) People's Government, the Provincial Reclamation Bureau, and the Provincial Forest Administration (City area, excluding the jurisdiction of the county).

FOREIGN INVESTMENT

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (Order No. 346 of the State Council) (the “**Foreign Investment Orientation Provision**”), which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, projects with foreign investment are divided into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment are listed in the Catalogue of Industries for Guiding Foreign Investment (2017 version) (外商投資產業指導目錄(2017年修訂)) (the “**Catalogue**”), which was jointly amended by NDRC and MOFCOM on 28 June 2017 and became effective on 28 July 2017. Vehicle gas industry is a permitted industry, which is not included in the Catalogue.

ENVIRONMENTAL PROTECTION

We are subject to a variety of PRC laws and regulations related to environmental protection. Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》), which was promulgated on 26 December 1989, amended on 24 April 2014 and came into effect on 1 January 2015, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards, provided that local governments must report such standards to the relevant department of environmental protection administration under the State Council for record.

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Pursuant to the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2002 and became effective on 1 September, 2003, and was amended on 2 July 2016 and came into effect on 1 September 2016, an entity undertaking any construction project must submit an environmental impact study report to the relevant government authority setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact prior to commencement of construction of the relevant project.

Other principal laws and regulations on environmental protection include the PRC Law on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on Prevention and Control of Air Pollutions (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), etc.

LABOUR LAW

The principal labour laws and regulations in the PRC include the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Implementation Rules of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》), the Work-related Injury Insurance Regulations (《工傷保險條例》), the PRC Social Security Law (《中華人民共和國社會保險法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulations on the Collection and Payment of Social Insurance Fees (《社會保險費徵繳暫行條例》) and the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》).

Pursuant to the PRC Labour Law and the PRC Labour Contract Law, employers must enter into written labour contracts with employees in order to establish employment relationship. Employers must compensate their employees with wages in an amount equal to or above the local minimum wage standards, establish a labour safety and workplace sanitation system, strictly comply with state rules and standards and provide employees with appropriate training on workplace safety. Violations of the PRC Labour Contract Law and the PRC Labour Law may result in imposition of fines and other administrative liabilities, and incur criminal liabilities in the case of serious violations.

INTELLECTUAL PROPERTY

Trademark Law

In accordance with the PRC Trademark Law (《中華人民共和國商標法》) promulgated on 23 August 1982, as amended by the NPCSC on 30 August 2013 and became effective on 1 May 2014, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in China. The administrative department for industry and commerce under the State Council has established a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. Any individual, legal person or other entity that needs to acquire the right to the exclusive use of a trademark for the commodities produced, manufactured, processed, selected or marketed shall apply to the Trademark Office for trademark registration.

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China has adopted a “first-to-file” principle with respect to trademarks. Where two or more applicants apply for the registration of identical or similar trademarks for the same or similar goods, the preliminary approval and the announcement shall be made for the trademark that was first filed. Where applications are filed on the same day, the preliminary approval, and the announcement shall be made for the trademark that is used the earliest, and the applications of the others shall be refused without announcement.

The period of validity of a registered trademark shall be 10 years, starting from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, an application for renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be 10 years as at the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered.

SUPERVISION AND ADMINISTRATION OVER FOREIGN EXCHANGE

According to the Regulations on the Control of Foreign Exchange (《外匯管理條例》), which were promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and were amended on 14 January 1997 and 5 August 2008, foreign exchange income of domestic institutions or individuals may be transferred to the PRC or deposited abroad; the conditions for transfer to the PRC or overseas deposit, time limit and other details will be specified by the foreign exchange administrative department of the State Council. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaging in the settlement of foreign exchange in accordance with relevant regulations. Domestic institutions or individuals that make direct investments abroad or are engaging in the overseas distribution or trade of valuable securities or derivative products should register according to the provisions of the foreign exchange control department of the State Council. Relevant institutions or individuals should submit relevant documentation for examination and approval or for record-filing prior to foreign exchange registration, if they are required to file with, or receive approval from, the competent administration departments in advance as required by the state. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

SAFE Circular No. 37

The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in the Investment and Financing and Return on Investment Conducted by PRC Residents via Special Purpose Vehicles (SAFE Circular No. 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) and its appendixes were promulgated and became effective on 4 July 2014.

Pursuant to the SAFE Circular No. 37, the PRC individual residents conducting investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities shall register with local SAFE branches with respect to their investments. SAFE Circular No.37 also

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requires the PRC residents to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

According to Item 10 “The Registration of the Special Purpose Vehicles by PRC Resident Individuals” Appendix 1 “Operating Guidelines for Businesses Involved in the Foreign Exchange Administration of Round-trip Investment” of SAFE Circular No. 37, PRC resident individuals shall only register the (first layer) special purpose vehicles directly established or controlled by them.

SAFE Circular No. 13

Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (SAFE Circular No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) was promulgated on 13 February 2015 and became effective on 1 June 2015.

Foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment (hereinafter collectively referred to as “**direct investment-related foreign exchange registration**”) will be directly reviewed and handled by banks in accordance with SAFE Circular No. 13 and the Guidelines for Direct Investment-related Foreign Exchange Business (《直接投資外匯業務操作指引》) (which is the appendix to SAFE Circular No. 13), and SAFE and its branches (hereinafter referred to as the “**foreign exchange regulatory authorities**”) shall perform indirect regulation over the direct investment-related foreign exchange registration via the aforementioned banks.

SAFE Circular No. 19

Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (SAFE Circular No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (匯發[2015]19號) was promulgated on 30 March 2015 and became effective on 1 June 2015.

Discretionary settlement of foreign exchange capital of foreign-invested companies means that foreign exchange capital in the capital account of foreign-invested companies whose rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or book-entry registration through the banks) can be settled at the banks based on the actual operating needs of the companies. The proportion of discretionary settlement of foreign exchange capital for

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foreign-invested companies is temporarily set at 100%. Capital by foreign-invested companies should only be used for legitimate operating needs within the business scope. The capital of foreign-invested companies and capital in RMB obtained through foreign exchange settlement should not be used for the following purposes:

- 1 directly or indirectly used for payments beyond the business scope or for payments prohibited under the national laws and regulations;
- 2 directly or indirectly used for investment in securities unless otherwise provided by the laws and regulations;
- 3 directly or indirectly used for granting entrust loans in RMB (unless permitted by the scope of business), repaying inter-company borrowings (including advances by third parties) or repaying bank loans in RMB that have been on-lent to a third party; and
- 4 paying expenses related to the purchase of real estate not for self-use, except for foreign-invested real estate companies.

Except for transfers of equity investment in the original currency, foreign-invested companies whose primary business is investment (including foreign-invested investment companies, foreign-invested venture capital companies and foreign-invested equity investment companies) are permitted to directly settle foreign exchange capital or transfer capital in RMB to the account of the invested companies provided that the domestic investment project is authentic and compliant.

MERGERS AND ACQUISITION

On 8 August 2006, MOFCOM, together with SASAC, SAT, SAIC, CSRC and SAFE issued the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “**Circular No.10**”), which became effective on 8 September 2006 and were amended on 22 June 2009. An acquisition under the M&A Rules can be either an equity acquisition or an asset acquisition. An equity acquisition is an acquisition of equity interest in a PRC domestic company or the subscription of registered capital of a PRC domestic company by foreign investors for the purpose of converting such PRC domestic company into a foreign-invested company.

An asset acquisition is the acquisition of a domestic PRC company’s assets (i) by a foreign-invested company for the purpose of controlling such assets and using them in business operations or (ii) by foreign investors, through contract, in order to establish a foreign-invested company for the purpose of conducting business operations.

According to the Circular No. 10, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully establishes or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

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TAX

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was promulgated by the NPC on 16 March, 2007 and came into effect on 1 January 2008, and was amended on 24 February 2017 and the Implementation Regulations of EIT Law (《企業所得稅法實施條例》) (the “**Implementation Regulations of EIT Law**”), which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, a uniform income tax rate of 25% applies to all PRC companies, foreign-invested companies and foreign companies which have established production and operation facilities in the PRC. These companies are classified as either resident companies or non-resident companies. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. Also, the Implementation Regulations of EIT Law defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises.”

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by SAT on 21 August 2006 and came into effect on 21 August 2006, and the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)) issued by SAT on 20 February 2009, a company incorporated in Hong Kong will be subject to withholding tax at the lower rate of 5% on dividends it receives from a company incorporated in the PRC if it holds directly a 25% interest or more in the PRC company at any time within 12 months prior to acquiring the dividends. According to the Notice on the Understanding and Identification of the Beneficial Owners in the Tax Treaty (Guo Shui Han [2009] No. 601) (《關於如何理解和認定稅收協定中“受益所有人”的通知》) (國稅函[2009]601號), which was promulgated by SAT and became effective on 27 October 2009, a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant tax treaty benefits.

Value-added Tax

According to the Announcement of the State Administration of Taxation on Matters relating to Tax Levying and Administration concerning the Comprehensive Promotion of the Pilot Collection of Value-added Tax (VAT) in lieu of Business Tax (the “**Announcement No. 23**”) (《國家稅務總局關於全面推開營業稅改徵增值稅試點有關稅收徵收管理事項的公告》(國家稅務總局公告[2016]23號)), which was promulgated on 19 April 2016 and became effective on 1 May 2016, the tax declaration period for value-added tax for June 2016 is extended to 27 June 2016; provincial offices of the SAT may appropriately extend the period for the final settlement of enterprise income tax in 2015, to the

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extent of no later than 30 June 2016. The Announcement No. 23 also specifies how to calculate the annual taxable sales amount from taxable actions conducted by a taxpayer included in the pilot programme before the implementation. Furthermore, pilot taxpayers shall be subject to the registration of qualifications of general VAT taxpayers according to the Announcement No. 23.

According to the Notice on Simplifying the Relevant Policies on Value-added Tax Rates (《關於簡併增值稅稅率有關政策的通知》(財稅[2017]37號)), which was issued by SAT on 28 April 2017 and became effective on 1 July 2017, the VAT of natural gas business decreases from 13% to 11%.


LAND AND PROPERTY

According to the PRC Property Law (《中華人民共和國物權法》) (the “**Property Law**”), which was promulgated by NPC on 16 March 2007 and came into effect on 1 October 2007, the real right refers to the exclusive right of direct control enjoyed by the holder according to law over a specific property, including ownership, usufruct rights and real rights for security. The creation, change, transfer or elimination of the real right of a real property shall become effective after it is registered according to law; it shall have no effect if it is not registered according to law, except it is otherwise prescribed by any law. The real rights of the state, collectives, individuals and any other right holders shall be protected by law.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) (the “**Land Administration Law**”), which was promulgated by the NPCSC on 25 June 1986 and was revised on 29 December 1988, 29 August 1998 and 28 August 2004, land within the territory of the PRC falls into two categories: state-owned land and land collectively owned by peasants. Land in urban areas of cities belongs to the state. Land in rural areas and suburban areas of cities excluding those belonging to the state prescribed by law belongs to peasants’ collective ownership; house sites, land allotted for personal needs and hilly land allotted for private use belongs to peasants’ collective ownership. State-owned land and land collectively owned by peasants may be determined in accordance with law to be used by units or individuals. Units and individuals using the land have the obligation to protect, manage and reasonably utilise the land. Any unit and individual needing land for construction shall apply for use of state-owned land according to law. The right to use state-owned land may be granted by the government or be obtained by paying land use right transfer fund, and the government departments shall enter into registration in a register and issue certificates in confirmation of the use right. According to the PRC Interim Regulations on the Assignment and Transfer of the Rights to the Use of state-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) which was promulgated by the State Council on 19 May 1990, the term of use of state-owned land is 50 years for industrial use, 40 years for commercial use and 70 years for residential use.

HISTORY, REORGANISATION AND DEVELOPMENT

OVERVIEW

Our Group has been principally engaged in the sales of natural gas in the form of CNG to vehicular end-users by operating CNG refuelling stations in Jilin Province under the trademark of “” and the trade name of “眾誠連鎖”. All of our principal operating subsidiaries are incorporated in the PRC. They are, namely, Changchun Sinogas, Jilin Clean Energy, Wuchang Gas, Hengtai Energy, Jilin Dongkun Gas, Jixi United Strength, Longjing United Strength, MHK Yujia Petrochemical, Yanbian United Strength and YB Xinyuan Natural Gas. Apart from the above principal PRC Operating Subsidiaries, our Group also has companies incorporated in the Cayman Islands, BVI and Hong Kong. As at the Latest Practicable Date, all of such subsidiaries (other than the PRC Operating Subsidiaries) are investment holding companies.

In April 1997, Changchun Yitonghe was founded, and in October 2001, Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang became equity-holders of Changchun Yitonghe. By leasing its first LPG station in Changchun, the then Yitonghe Group (including some of our PRC Operating Subsidiaries then existing, hereinafter called the “**Larger Yitonghe Group**”) began to engage in the Gas Refuelling Business in August 2002. In July 2007 and June 2010, the Larger Yitonghe Group expanded its Gas Refuelling Business to Yanbian of Jilin Province and Heilongjiang Province, respectively. As at the Latest Practicable Date, we operated 25 refuelling stations in Northeast China, of which 19 were CNG stations, one was a mixed fuel station which sold CNG and LNG, and five were LPG stations. While most of our PRC Operating Subsidiaries then owned by the Larger Yitonghe Group have been principally engaged in the Gas Refuelling Business, the Larger Yitonghe Group, through its other members, expanded into other business including the Petroleum Refuelling Business, sales of petroleum products and other petroleum-related businesses.

Our Company

Our Company was incorporated on 19 December 2016 in the Cayman Islands as an exempted company with limited liability. As part of the Reorganisation, our Company became the holding company of our Group. Please refer to the paragraph headed “Reorganisation” in this section below.

HISTORY, REORGANISATION AND DEVELOPMENT

Our Group

As at the Latest Practicable Date, our Group comprised our Company, a BVI company, a Hong Kong company and a total of 10 PRC companies. The following table contains some brief details of our Company and our subsidiaries as at the Latest Practicable Date:

Entity	Date of incorporation	Place of incorporation	Amount of registered capital/ authorised share capital	Amount of paid up capital (or, where applicable number of issued shares)	Equity interest attributable to our Group	Principal activities
Our Company	19 December 2016	Cayman Islands	HK\$380,000	HK\$100	N/A	Investment holding
United Strength BVI	4 January 2017	BVI	US\$50,000	US\$100	100%	Investment holding
United Strength HK	17 January 2017	Hong Kong	Not applicable	HK\$1	100%	Investment holding
Changchun Sinogas	18 July 2005	PRC	RMB20 million	RMB20 million	100%	Gas Refuelling Business
Jilin Clean Energy	19 September 2001	PRC	RMB8 million	RMB8 million	51%	Gas Refuelling Business
Wuchang Gas	18 April 2006	PRC	RMB3 million	RMB3 million	100%	Gas Refuelling Business
Hengtai Energy	12 August 2010	PRC	RMB5 million	RMB5 million	100%	Gas Refuelling Business
Jilin Dongkun Gas	30 September 1999	PRC	Approximately RMB18.7 million	Approximately RMB18.7 million	100%	Gas Refuelling Business
Jixi United Strength	5 September 2013	PRC	RMB5 million	RMB5 million	100%	Gas Refuelling Business
Longjing United Strength	16 July 2007	PRC	RMB20 million	RMB20 million	100%	Gas Refuelling Business
MHK Yujia Petrochemical	27 December 2011	PRC	RMB10 million	RMB10 million	100%	Gas Refuelling Business
Yanbian United Strength	14 July 2008	PRC	RMB0.5 million	RMB0.5 million	60%	Development of energy technology
YB Xinyuan Natural Gas	29 May 2013	PRC	RMB5 million	RMB5 million	100%	Advance phase preparation of gas refuelling station

HISTORY, REORGANISATION AND DEVELOPMENT

The following table contains some brief details of the branch companies and refuelling stations registered under our Group as at the Latest Practicable Date:

Entity/Branch	Date of establishment	Number of refuelling station registered under the entity <i>(note)</i>
<i>Refuelling station registered under Changchun Sinogas</i>		
Changchun Sinogas Company, Ltd. Jingyue Vehicle Natural Gas Refuelling Station (長春中油潔能燃氣有限公司淨月汽車天然氣加氣站)	11 November 2009	1 gas refuelling station
<i>Branch companies and refuelling stations registered under Jilin Clean Energy</i>		
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Jilin City Branch Company (吉林中油潔能環保有限責任公司吉林市分公司)	22 June 2004	1 gas refuelling station
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Jilin City Changchun Road Branch Company (吉林中油潔能環保有限責任公司吉林市長春路分公司)	28 July 2005	1 gas refuelling station
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Puyang Street Gas Refuelling Station (吉林中油潔能環保有限責任公司普陽大街加氣站)	21 January 2009	1 gas refuelling station
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Southeast Lake Gas Refuelling Station (吉林中油潔能環保有限責任公司東南湖加氣站)	5 January 2007	1 gas refuelling station
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Guigu Street Gas Refuelling Station (吉林中油潔能環保有限責任公司硅谷大街加氣站)	21 January 2009	1 gas refuelling station
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Changchun Benchi Gas Refuelling Station (吉林中油潔能環保有限責任公司長春奔馳加氣站)	22 July 2016	1 gas refuelling station
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Songyuan Branch Company (吉林中油潔能環保有限責任公司松原分公司)	8 June 2006	Nil
<i>Refuelling station registered under Hengtai Energy</i>		
Liaoyuan City Hengtai Clean Energy Company Limited Gongyuan Petroleum and Gas Refuelling Station (遼源市恒泰清潔能源有限公司公園加油加氣站)	6 March 2014	1 Mixed Refuelling Station

HISTORY, REORGANISATION AND DEVELOPMENT

Entity/Branch	Date of establishment	Number of refuelling station registered under the entity <i>(note)</i>
<i>Branch companies and refuelling stations registered under Longjing United Strength</i>		
Longjing United Strength Energy Development Company Limited Yanji Branch Company (龍井眾誠能源發展有限公司延吉分公司)	17 April 2009	1 gas refuelling station
Longjing United Strength Energy Development Company Limited Yanji Second Branch Company (龍井眾誠能源發展有限公司延吉第二分公司)	18 November 2009	1 gas refuelling station
Longjing United Strength Energy Development Company Limited Yanji Third Branch Company (龍井眾誠能源發展有限公司延吉第三分公司)	22 September 2011	1 gas refuelling station
Longjing United Strength Energy Development Company Limited Yanji Fourth Branch Company (龍井眾誠能源發展有限公司延吉第四分公司)	13 April 2012	Nil
Longjing United Strength Energy Development Company Limited Yanji Sixth Branch Company (龍井眾誠能源發展有限公司延吉第六分公司)	26 August 2014	Nil
Longjing United Strength Energy Development Company Limited Helong Branch Company (龍井眾誠能源發展有限公司和龍分公司)	11 July 2011	1 gas refuelling station
Longjing United Strength Energy Development Company Limited Longhe Mixed Petroleum and Gas Refuelling Station (龍井眾誠能源發展有限公司龍和加油加氣合建站)	4 August 2010	1 Mixed Refuelling Station
Longjing United Strength Energy Development Company Limited Wangqing Petroleum and Gas Refuelling Station (龍井眾誠能源發展有限公司汪清油氣站)	17 July 2008	1 gas refuelling station
Longjing United Strength Energy Development Company Limited Hunchun Branch Company (龍井眾誠能源發展有限公司琿春分公司)	7 February 2012	Nil

Note: As at the Latest Practicable Date, six gas refuelling stations were registered under each of Wuchang Gas, Jixi United Strength, Jilin Dongkun Gas, Longjing United Strength, Hengtai Energy and MHK Yujia Petrochemical; and the remaining five Mixed Refuelling Stations were Yitonghe Entrusted Refuelling Stations.

HISTORY, REORGANISATION AND DEVELOPMENT

MILESTONES

Set out below are the key milestones of the development of our Group:

Time	Milestone
1997	Changchun Yitonghe was founded to engage in gas and petroleum related businesses
2002	Our Group's first LPG station commenced its operation in Changchun City, Jilin Province
2007	Longjing United Strength was established to engage in the Gas Refuelling Business in Yanbian City, Jilin Province
2010	Wuchang Gas was acquired to expand our Gas Refuelling Business into Heilongjiang Province
2013	Jixi United Strength was established to expand our Gas Refuelling Business in Jixi City, Heilongjiang Province Changchun Yitonghe started to implement separate management and operation of the Gas Refuelling Business and Petroleum Refuelling Business under the Yitonghe Group
2014	Changchun Sinogas and Jilin Clean Energy (as to 51% of its equity interest) were acquired, together with the six gas refuelling stations registered under their respective branch companies or refuelling stations

CHANGE IN REGISTERED OR ISSUED CAPITAL AND/OR EQUITY HOLDERS OF MEMBERS OF OUR GROUP

Change in registered capital and/or equity holders of the PRC Operating Subsidiaries during the Track Record Period and up to the Latest Practicable Date

Our PRC Operating Subsidiaries underwent the following changes in their equity capital and/or equity-holders during the Track Record Period and up to the Latest Practicable Date:

1. *Changchun Sinogas*

Changchun Sinogas was incorporated in the PRC on 18 July 2005.

HISTORY, REORGANISATION AND DEVELOPMENT

As at 1 January 2014, Changchun Sinogas had a registered capital of RMB20 million which was owned by the equity-holders as shown below:

Name of equity-holders	Contribution to registered capital (RMB million)	Percentage of registered capital held (%)
China Source BVI	18.6	93
Shenzhen Sinogas	<u>1.4</u>	<u>7</u>
Total:	<u>20.0</u>	<u>100</u>

As at 1 January 2014, China Source BVI was solely owned by AVIC Joy Holdings (HK) Limited (“**AVIC Joy**”), a company whose shares are listed on the main board of the Stock Exchange (Stock code: 260). Other than being the sole shareholder of China Source BVI at the material times, AVIC Joy is an Independent Third Party. On 16 December 2014, AVIC Joy transferred to Mr. Liu the entire issued share capital in China Source BVI and a shareholder’s loan of RMB14.4 million at an aggregate consideration of RMB24.18 million, which was determined based on the fair value of the shareholders’ equity of Changchun Sinogas as at 30 June 2014 attributable to the equity interest then held by China Source BVI and was fully paid on 26 January 2015. From the date of transfer and up to 29 December 2016, China Source BVI was beneficially owned as to 74% by Mr. Zhao, 15% by Ms. Xu, 10% by Mr. Liu and 1% by Mr. QG Wang, and the entire equity interest in China Source BVI was registered in the name of Mr. Liu, who had held the relevant equity interest on trust for the benefit of each of Mr. Zhao, Ms. Xu and Mr. QG Wang. For the reason that Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang resided in different parts of the PRC, the trust arrangement allowed administrative and operational efficiency for Mr. Liu to handle the various documents required to be signed by shareholders of China Source BVI for the purpose of the above transfer. On 29 December 2016, for the purpose of unwinding the trust arrangement, Mr. Liu transferred 74%, 15% and 1% of the issued share capital in China Source BVI back to Mr. Zhao, Ms. Xu and Mr. QG Wang, respectively, without consideration. China Source BVI is a connected person of our Company under Chapter 14A of the Listing Rules. Shenzhen Sinogas was an indirect wholly owned subsidiary of AVIC Joy and it is an Independent Third Party.

Since 1 January 2014, the equity-holders of Changchun Sinogas underwent the following changes:

- (i) With a view to acquiring the entire interest and control over gas refuelling station registered under Changchun Sinogas, our Group decided to acquire Changchun Sinogas. By an agreement dated 5 December 2014, Shenzhen Sinogas agreed to transfer 7% of the registered capital in Changchun Sinogas (being all the equity interests of Changchun Sinogas then owned by Shenzhen Sinogas) to Changchun Yitonghe at a consideration of RMB1.82 million. The consideration was determined based on the fair value of the shareholders’ equity of Changchun Sinogas as at 30 June 2014 attributable to the equity interest being transferred as indicated in a valuation report issued by an independent valuer. Such consideration was fully paid by Changchun Yitonghe on 26 January 2015. The transfer was completed on 29 December 2014 upon approval by Changchun City Bureau of Commerce (長春市商務局) (“**Changchun Commerce Bureau**”).

HISTORY, REORGANISATION AND DEVELOPMENT

- (ii) By an agreement dated 20 September 2016, Changchun Yitonghe agreed to transfer 7% of the registered capital in Changchun Sinogas (being all the equity interest of Changchun Sinogas then owned by Changchun Yitonghe) to China Source BVI at a consideration of RMB1.4 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by China Source BVI on 20 March 2017. The transfer was completed on 20 September 2016, and the relevant filings with AIC of Changchun City (長春市工商行政管理局) (“**Changchun AIC**”) and Changchun Commerce Bureau were completed on 14 October and 15 November 2016 respectively.
- (iii) As part of the Reorganisation, by an equity transfer agreement (“**Changchun Sinogas Acquisition Agreement**”) dated 20 February 2017, China Source BVI agreed to transfer 100% of the registered capital in Changchun Sinogas to United Strength HK at a consideration of RMB20 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by United Strength HK on 15 March 2017. The transfer was completed on 20 February 2017, and the relevant filings with Changchun AIC and Changchun Commerce Bureau were completed on 8 and 9 March 2017 respectively.

Since then and as at the Latest Practicable Date, the equity-holder of Changchun Sinogas has not been changed.

2. *Jilin Clean Energy*

Jilin Clean Energy was incorporated in the PRC on 19 September 2001.

As at 1 January 2014, Jilin Clean Energy had a registered capital of RMB8 million which was owned by the following equity-holders as shown below:

Name of equity-holders	Contribution to registered capital (RMB million)	Percentage of registered capital held (%)
Shenzhen Sinogas	4.08	51
Jilin Petroleum	3.92	49
Total:	8.00	100

Jilin Petroleum is a state-owned enterprise. By virtue of being the equity-holder of Jilin Clean Energy, Jilin Petroleum is a connected person of our Company.

Since 1 January 2014, the equity-holders of Jilin Clean Energy underwent the following changes:

- (i) To further expand our Gas Refuelling Business, our Group decided to acquire the corresponding interest in gas refuelling stations registered under Jilin Clean Energy, through the acquisition 51% of the registered capital in Jilin Clean Energy. By an agreement

HISTORY, REORGANISATION AND DEVELOPMENT

dated 30 October 2014, Shenzhen Sinogas agreed to transfer 51% of the registered capital in Jilin Clean Energy (being all the equity interests of Jilin Clean Energy then owned by Shenzhen Sinogas) to Changchun Yitonghe at a consideration of RMB3.35 million. The consideration was determined based on the fair value of the shareholders' equity of Jilin Clean Energy attributable to the equity interest being transferred as at 30 June 2014 as indicated in a valuation report issued by an independent valuer. Such consideration was fully paid by Changchun Yitonghe on 26 January 2015. The transfer was completed on 30 October 2014, and the relevant filing with AIC of Jilin Province (吉林省工商行政管理局) (“**Jilin AIC**”) was completed on 17 November 2014.

- (ii) As part of the Reorganisation, by an equity transfer agreement (“**Jilin Clean Energy Acquisition Agreement**”) dated 14 March 2017, Changchun Yitonghe agreed to transfer 51% of the registered capital in Jilin Clean Energy (being all the equity interests of Jilin Clean Energy then owned by Changchun Yitonghe) to Changchun Sinogas at a consideration of RMB4.08 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 15 March 2017. The transfer was completed on 14 March 2017, and the relevant filing with Jilin AIC was completed on 15 March 2017.

Since then and as at the Latest Practicable Date, the equity-holders of Jilin Clean Energy have not been changed.

3. *Wuchang Gas*

Wuchang Gas was incorporated in the PRC on 18 April 2006.

As at 1 January 2014, Wuchang Gas had a registered capital of RMB3 million and was solely owned by Changchun Yitonghe.

As part of the Reorganisation, by an equity transfer agreement (“**Wuchang Gas Acquisition Agreement**”) dated 10 March 2017, Changchun Yitonghe agreed to transfer 100% of the registered capital in Wuchang Gas to Changchun Sinogas at a consideration of RMB3 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 14 March 2017. The transfer was completed on 10 March 2017, and the relevant filing with Market Supervision Administration of Wuchang City (五常市市場監督管理局) was completed on 13 March 2017.

Since then and as at the Latest Practicable Date, the equity-holder of Wuchang Gas has not been changed.

HISTORY, REORGANISATION AND DEVELOPMENT

4. *Hengtai Energy*

Hengtai Energy was incorporated in the PRC on 12 August 2010.

As at 1 January 2014, Hengtai Energy had a registered capital of RMB5 million which was registered in the names of such parties as shown below:

<u>Name of registered equity-holders</u>	<u>Contribution to registered capital (RMB million)</u>	<u>Percentage of registered capital held (%)</u>
Changchun Yitonghe	3.5	70
Mr. Sun Hui (孫輝)	0.75	15
Mr. Li Yujiang (李玉江)	0.75	15
Total:	5.00	100

Since 12 August 2010 (i.e. the date of its incorporation), the sole beneficial owner of Hengtai Energy was Changchun Yitonghe which provided all the funding for its investment, and the registered capital in Hengtai Energy was then registered as to 52% and 48% in the name of Mr. Sun Hui and Mr. Li Yujiang, respectively. Mr. Sun Hui and Mr. Li Yujiang had held the respective equity interest in Hengtai Energy on trust for the benefit of Changchun Yitonghe. On 14 March 2012, under the instruction of Changchun Yitonghe, Mr. Sun Hui and Mr. Li Yujiang transferred 37% and 33% of the registered capital of Hengtai Energy to Changchun Yitonghe. Since 14 March 2012 up to 1 December 2016, the sole beneficial owner of Hengtai Energy remained as Changchun Yitonghe, and the registered capital in Hengtai Energy was registered as to 70% in the name of Changchun Yitonghe, and as to each of 15% in the name of Mr. Sun Hui and Mr. Li Yujiang, respectively. Each of Mr. Sun Hui and Mr. Li Yujiang had held 15% registered capital in Hengtai Energy on trust for the benefit of Changchun Yitonghe since 14 March 2012 up to 1 December 2016. As both Mr. Sun Hui and Mr. Li Yujiang had been the registered owners of all or part of the registered capital of Hengtai Energy, our Group arranged for them to remain as registered owners, because the trust arrangement allowed administrative and operational efficiency as various documents in relation to its administration may be signed by those registered equity-holders of Hengtai Energy. Save for being the then registered equity-holders of Hengtai Energy, both Mr. Sun Hui and Mr. Li Yujiang are Independent Third Parties.

Since 1 January 2014, the equity-holders of Hengtai Energy underwent the following changes:

- (i) By an agreement dated 26 May 2016, for the purpose of unwinding the trust arrangement between Mr. Sun Hui and Changchun Yitonghe in relation to the holding of the registered capital in Hengtai Energy, Mr. Sun Hui, as the trustee holding such registered capital on trust for the benefit of Changchun Yitonghe, agreed to transfer 15% of the registered capital in Hengtai Energy (representing all the registered capital of Hengtai Energy then held by Mr. Sun Hui), to Changchun Yitonghe at a consideration of RMB0.75 million, equivalent to the face value of the registered capital agreed to be transferred which payment of consideration was waived by Mr. Sun Hui. The transfer was completed on 26 May 2016, and the relevant filing with AIC of Liaoyuan City (遼源市工商行政管理局) (“**Liaoyuan AIC**”) was completed on 1 December 2016.

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- (ii) By an agreement dated 26 May 2016, for the purpose of unwinding the trust arrangement between Mr. Li Yujiang and Changchun Yitonghe in relation to the holding of the registered capital in Hengtai Energy, Mr. Li Yujiang, as the trustee holding such registered capital on trust for the benefit of Changchun Yitonghe, agreed to transfer 15% of the registered capital in Hengtai Energy (representing all the registered capital of Hengtai Energy then held by Mr. Li Yujiang), to Changchun Yitonghe at a consideration of RMB0.75 million, equivalent to the face value of the registered capital agreed to be transferred which payment of consideration was waived by Mr. Li Yujiang. The transfer was completed on 26 May 2016, and the relevant filing with Liaoyuan AIC was completed on 1 December 2016.
- (iii) As part of the Reorganisation, by an equity transfer agreement (“**Hengtai Energy Acquisition Agreement**”) dated 10 March 2017, Changchun Yitonghe agreed to transfer 100% of the registered capital in Hengtai Energy to Changchun Sinogas at a consideration of RMB5 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 13 March 2017. The transfer was completed on 10 March 2017, and the relevant filing with Liaoyuan AIC was completed on the same date.

Since then and as at the Latest Practicable Date, the equity-holder of Hengtai Energy has not been changed.

5. *Jilin Dongkun Gas*

Jilin Dongkun Gas was incorporated in the PRC on 30 September 1999.

As at 1 January 2014, Jilin Dongkun Gas had a registered capital of approximately RMB18.7 million which was owned by or registered in the names of such parties as shown below:

Name of equity-holders/registered equity-holders	Contribution to registered capital (RMB)	Percentage of registered capital held (%)
Changchun Yitonghe	9,363,997	50
Jilin Shengjia Energy	7,491,198	40
Ms. Wang Ying (王穎)	1,872,800	10
Total:	18,727,995	100

Jilin Shengjia Energy was owned by Independent Third Parties and it is an Independent Third Party. Ms. Wang Ying was then a member of the senior management of Jilin Dongkun Gas, she had held 10% registered capital in Jilin Dongkun Gas on trust for the benefit of Changchun Yitonghe since 22 November 2012 up to 30 December 2015. The trust arrangement allowed administrative and operational efficiency as various documents in relation to its administration may be signed by those equity holders of Jilin Dongkun Gas. Changchun Yitonghe provided the funding for contribution of such 10% registered capital. Save for being the then registered equity-holder of Jilin Dongkun Gas, Ms. Wang Ying is an Independent Third Party.

HISTORY, REORGANISATION AND DEVELOPMENT

Since 1 January 2014, the equity-holders of Jilin Dongkun Gas underwent the following changes:

- (i) By an agreement dated 15 July 2015, Jilin Shengjia Energy agreed to transfer 40% of the registered capital in Jilin Dongkun Gas (being all the equity interests of Jilin Dongkun Gas then owned by Jilin Shengjia Energy) to Changchun Yitonghe at a consideration of approximately RMB5.75 million. The consideration was fixed at a discount to the face value of the registered capital to be transferred as agreed between the parties, for the reason that Jilin Shengjia Energy did not agree with the other equity-holders regarding further injection of capital. Such consideration was fully paid by Changchun Yitonghe on 28 November 2016. The transfer was completed on 15 July 2015, and the relevant filing with Changchun AIC was completed on 12 November 2015.
- (ii) By an agreement dated 15 December 2015, for the purpose of unwinding the trust arrangement between Ms. Wang Ying and Changchun Yitonghe in relation to the holding of the registered capital in Jilin Dongkun Gas, Ms. Wang Ying, as the trustee holding such registered capital on trust for the benefit of Changchun Yitonghe, agreed to transfer 10% of the registered capital in Jilin Dongkun Gas (representing all the registered capital of Jilin Dongkun Gas then held by Ms. Wang Ying), to Changchun Yitonghe at a consideration of RMB1.92 million. The consideration was determined having regard to the net asset value of Jilin Dongkun Gas attributable to the registered capital being transferred as at November 2015, which payment of consideration was waived by Ms. Wang Ying. The transfer was completed on 15 December 2015, and the relevant filing with Changchun AIC was completed on 30 December 2015.
- (iii) As part of the Reorganisation, by an equity transfer agreement (“**Jilin Dongkun Gas Acquisition Agreement**”) dated 10 March 2017, Changchun Yitonghe agreed to transfer 100% of the registered capital in Jilin Dongkun Gas to Changchun Sinogas at a consideration of approximately RMB18.7 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 14 March 2017. The transfer was completed on 10 March 2017 and the relevant filing with Changchun AIC was completed on the same date.

Since then and up as at Latest Practicable Date, the equity-holder of Jilin Dongkun Gas has not been changed.

6. *Jixi United Strength*

Jixi United Strength was incorporated in the PRC on 5 September 2013.

As at 1 January 2014, Jixi United Strength had a registered capital of RMB5 million and was solely owned by HLJ Shengshi Energy. As at and since 1 January 2014, HLJ Shengshi Energy has been solely and beneficially owned by Changchun Yitonghe, among the entire interest of Changchun Yitonghe in HLJ Shengshi Energy, 85.4% has been registered in the name of Changchun Yitonghe and the remaining 14.6% has been registered in the name of three individuals, namely, Mr. Yin Naixun (殷乃勛) (“**Mr. Yin**”) (a director of Longjing United Strength and Yanbian United Strength), Mr. Wang Chengxun (王成訓) (the sole director and manager of Jixi United Strength) and Ms. Meng Hao (孟昊),

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a daughter of Mr. Meng Xiange (孟憲革) (“**Mr. Meng**”) (a member of the senior management of our Group and a director of Longjing United Strength and Yanbian United Strength), who had been holding the respective registered capital in HLJ Shengshi Energy on trust for the benefit of Changchun Yitonghe. As HLJ Shengshi Energy was located in Heilongjiang Province and was far from Jilin Province (where most of our Directors and members of senior management are located), the trust arrangement allowed administrative and operational efficiency as various documents in relation of its administration may be signed by the registered equity-holders of HLJ Shengshi Energy. Changchun Yitonghe provided all the funding for the investment of HLJ Shengshi Energy.

As part of the Reorganisation, by an equity transfer agreement (“**Jixi United Strength Acquisition Agreement**”) dated 13 March 2017, HLJ Shengshi Energy agreed to transfer 100% of the registered capital in Jixi United Strength to Changchun Sinogas at a consideration of RMB5 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 14 March 2017. The transfer was completed on 13 March 2017, and the relevant filing with AIC of Jixi (雞西市工商行政管理局) was completed on the same date.

Since then and as at the Latest Practicable Date, the equity-holder of Jixi United Strength has not been changed.

7. *Longjing United Strength*

Longjing United Strength was incorporated in the PRC on 16 July 2007.

As at 1 January 2014, Longjing United Strength had a registered capital of RMB20 million which was registered in the names of such parties as shown below:

Name of registered equity-holders	Contribution to registered capital (RMB million)	Percentage of registered capital held (%)
Changchun Yitonghe	18	90
Mr. Yin Naixun (殷乃勛)	1	5
Mr. Meng Xiange (孟憲革)	1	5
Total:	20	100

As at 1 January 2014, the sole beneficial owner of Longjing United Strength was Changchun Yitonghe which provided all the funding for its investment, and the registered capital in Longjing United Strength was registered as to 90% in the name of Changchun Yitonghe and as to each of 5% in the name of Mr. Yin and Mr. Meng who had held such registered capital on trust for the benefit of Changchun Yitonghe since 16 July 2007 (date of incorporation of Longjing United Strength) up to 14 March 2017. The trust arrangement allowed administrative and operational efficiency as various documents in relation to its administration may be signed by the registered equity holders of Longjing United Strength.

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Since 1 January 2014, the equity-holders of Longjing United Strength underwent the following changes:

- (i) By an agreement dated 18 December 2014, for reasons of family arrangements and under the instruction of Changchun Yitonghe, Mr. Meng agreed to transfer 5% of the registered capital in Longjing United Strength (being all the registered capital of Longjing United Strength then registered in the name of Mr. Meng) to Ms. Meng Hao, the daughter of Mr. Meng, at a consideration of RMB50,000, which was a nominal consideration and payment was waived by Mr. Meng. The transfer was completed on 18 December 2014, and the relevant filing with AIC of Longjing City (龍井市工商行政管理局) (“**Longjing AIC**”) was completed on 6 January 2015.
- (ii) As part of the Reorganisation,
 - (a) by an equity transfer agreement dated 10 March 2017, Changchun Yitonghe agreed to transfer 90% of the registered capital in Longjing United Strength (being all the equity interest of Longjing United Strength then owned by Changchun Yitonghe) to Changchun Sinogas at a consideration of RMB18 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 15 March 2017. The transfer was completed on 10 March 2017, and the relevant filing with Longjing AIC was completed on 14 March 2017.
 - (b) as instructed by Changchun Yitonghe as the beneficial owner, an equity transfer agreement dated 10 March 2017 was entered into between Mr. Yin Naixun and Changchun Sinogas, pursuant to which, Mr. Yin agreed to transfer 5% of the registered capital in Longjing United Strength (being all the registered capital of Longjing United Strength then held by Mr. Yin on trust for the benefit of Changchun Yitonghe) to Changchun Sinogas at a consideration of RMB1 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. The consideration was fully paid by Changchun Sinogas to Mr. Yin (for and on behalf of Changchun Yitonghe) on 15 March 2017. The transfer was completed on 10 March 2017, and the relevant filing with Longjing AIC was completed on 14 March 2017.
 - (c) as instructed by Changchun Yitonghe as the beneficial owner, an equity transfer agreement (together with the agreements under paragraphs (ii)(a) and (b) above, collectively “**Longjing United Strength Acquisition Agreements**”) dated 10 March 2017 was entered into between Ms. Meng Hao and Changchun Sinogas, pursuant to which, Ms. Meng Hao agreed to transfer 5% of the registered capital in Longjing United Strength (being all the registered capital of Longjing United Strength then held by the Ms. Meng Hao on trust for the benefit of Changchun Yitonghe) to Changchun Sinogas at a consideration of RMB1 million. The consideration was determined having regard to the face value of the registered capital agreed to be transferred. The

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consideration was fully paid by Changchun Sinogas to Ms. Meng Hao (for and on behalf of Changchun Yitonghe) on 15 March 2017. The transfer was completed on 10 March 2017, and the relevant filing with Longjing AIC was completed on 14 March 2017.

Upon the completion of the above transfers, Longjing United Strength became a direct wholly owned subsidiary of Changchun Sinogas, and the respective trust arrangements between Changchun Yitonghe, Mr. Yin and Ms. Meng Hao in relation to the holding of the registered capital in Longjing United Strength were unwound.

Since then and as at the Latest Practicable Date, the equity-holder of Longjing United Strength has not been changed.

8. *MHK Yujia Petrochemical*

MHK Yujia Petrochemical was incorporated in the PRC on 27 December 2011.

As at 1 January 2014, MHK Yujia Petrochemical had a registered capital of RMB0.9 million which was owned by the equity-holders as shown below:

Name of equity-holders	Contribution to registered capital (RMB million)	Percentage of registered capital held (%)
Mr. Zhang Lu (張輅)	0.3	33.3
Mr. Bai Yunlei (白雲雷)	0.3	33.3
Mr. Peng Fushan (彭福山)	0.3	33.3
	<u>0.9</u>	<u>100.0</u>

Save for being the then registered equity-holders of MHK Yujia Petrochemical, Mr. Zhang Lu, Mr. Bai Yunlei and Mr. Peng Fushan are Independent Third Parties.

During the Track Record Period and as at the Latest Practicable Date, MHK Yujia Petrochemical owned a gas refuelling station (“**Yujia Gas Refuelling Station**”) in Meihou City, Jilin Province. On 10 December 2013, Changchun Yitonghe entered into a gas refuelling station cooperation operation agreement with MHK Yujia Petrochemical, pursuant to which Changchun Yitonghe shall be entitled to operate and manage Yujia Gas Refuelling Station. As the consideration of such operation and management, the revenue derived from Yujia Gas Refuelling Station shall be shared by Changchun Yitonghe and MHK Yujia Petrochemical at 33.33% and 66.67% respectively. With a view to expanding our business and to fully enjoying the revenue derived from the Gas Refuelling Business at the Yujia Gas Refuelling Station, our Group decided to acquire all the equity interests of MHK Yujia Petrochemical. By an equity transfer agreement dated 28 December 2016, each of Mr. Bai Yunlei, Mr. Peng Fushan and Mr. Zhang Lu agreed to transfer one-third of the registered capital in MHK Yujia Petrochemical (being all the equity interest of MHK Yujia Petrochemical owned by each of them respectively) to Changchun Sinogas at a total consideration of RMB0.9 million. The consideration was

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determined having regard to the then face value of the equity capital agreed to be transferred. Such consideration was fully paid by Changchun Sinogas on 9 January 2017. The transfers were completed on 28 December 2016, and the relevant filings with Market Supervision Administration of Meihokou City (梅河口市市場監督管理局) (“MHK MSA”) were completed on 3 January 2017.

On 6 January 2017, it was resolved by a shareholder’s resolution of MHK Yujia Petrochemical to increase its registered capital from RMB0.9 million to RMB10 million by way of additional cash contribution by Changchun Sinogas, its sole equity-holder. Changchun Sinogas made such contribution from its own financial resources and the entirety of the additional cash contribution was fully paid up in January 2017. The relevant filing with MHK MSA was completed on 10 January 2017.

Since then and as at the Latest Practicable Date, the equity-holder and the registered capital of MHK Yujia Petrochemical have not been changed.

The business of Yujia Gas Refuelling Station had been operated by our Group from 10 December 2013 to 28 December 2016 and Yujia Gas Refuelling Station was one of the Entrusted Refuelling Stations of our Group during that period. Yujia Gas Refuelling Station became one of the Self-owned Refuelling Stations since 28 December 2016.

9. *Yanbian United Strength*

Yanbian United Strength was incorporated in the PRC on 14 July 2008.

As at 1 January 2014, Yanbian United Strength had a registered capital of RMB0.5 million which was owned by the equity-holders as shown below:

<u>Name of equity-holders</u>	<u>Contribution to registered capital (RMB million)</u>	<u>Percentage of registered capital held (%)</u>
Longjing United Strength	0.3	60
Mr. Shao Wenyan (邵文延)	0.2	40
	<u>0.5</u>	<u>100</u>

By virtue of being the equity-holder of Yanbian United Strength, Mr. Shao Wenyan is a connected person of our Company.

Since 1 January 2014 and as at the Latest Practicable Date, 60% of the registered capital in Yanbian United Strength was owned by Longjing United Strength.

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10. YB Xinyuan Natural Gas

YB Xinyuan Natural Gas was incorporated in the PRC on 29 May 2013.

As at 1 January 2014, YB Xinyuan Natural Gas had a registered capital of RMB5 million which was owned by the equity-holders as shown below:

Name of equity-holders	Contribution to registered capital (RMB million)	Percentage of registered capital held (%)
Mr. Xue Beihai (薛備海)	3.05	61
Mr. Liu Zhenyou (劉真有)	1.05	21
Ms. Liu Guilan (劉桂蘭)	0.90	18
	<u>5.00</u>	<u>100</u>

Save for being the then equity-holders of YB Xinyuan Natural Gas, each of Mr. Xue Beihai, Mr. Liu Zhenyou and Ms. Liu Guilan is an Independent Third Party.

YB Xinyuan Natural Gas was formed in 2013 for the purpose of constructing and operating a gas refuelling station. In July 2014, YB Xinyuan Natural Gas has obtained approval for the selection of a site in Hunchun City (琿春市) of Jilin Province for the purpose of constructing a gas refuelling station. As at the Latest Practicable Date, the construction of the gas refuelling station has not been commenced and YB Xinyuan Natural Gas has not commenced its operations. With a view to expanding to Hunchun City, our Group decided to acquire YB Xinyuan Natural Gas to construct and operate a gas refuelling station at the approved site. On 24 October 2016, each of Mr. Xue Beihai, Mr. Liu Zhenyou and Ms. Liu Guilan agreed to transfer 61%, 21% and 18% of the registered capital in YB Xinyuan Natural Gas (being all the equity interest of YB Xinyuan Natural Gas owned by each of them respectively) under three separate equity transfer agreements to Longjing United Strength at the respective consideration of RMB3.05 million, RMB1.05 million and RMB0.9 million, equivalent to the respective face value of the registered capital agreed to be transferred. It is expected that such consideration will be fully paid by Longjing United Strength in November 2017. The transfers were completed on 24 October 2016, and the relevant filing with AIC of Hunchun City (琿春市工商行政管理局) was completed on 25 October 2016.

Since then and as at the Latest Practicable Date, the equity-holder of YB Xinyuan Natural Gas has not been changed.

Change in issued capital and/or owners of our Company

Our Company was incorporated on 19 December 2016.

At the time of incorporation of our Company, the initial authorised share capital of our Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On 19 December 2016 (i.e. the date of its incorporation), one subscriber Share allotted and issued, credited as fully paid up, to an officer of the registered agent of our Company was transferred to Golden Truth (which was solely owned by Mr. Zhao).

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On 16 March 2017, our Company allotted and issued 739 Shares, 150 Shares, 100 Shares and 10 Shares, at the subscription prices of approximately HK\$16.9 million, HK\$3.4 million, HK\$2.3 million and HK\$0.2 million and credited as fully paid, to Golden Truth, Dynamic Fame, Heroic Year and Noble Praise, respectively. Each of Golden Truth, Dynamic Fame, Heroic Year and Noble Praise is wholly owned by Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang, respectively. Immediately following the issue of such 999 Shares, Mr. Zhao (through Golden Truth) became the owner of 740 Shares (representing 74% of the then entire issued share capital of our Company), Ms. Xu (through Dynamic Fame) became the owner of 150 Shares (representing 15% of the then entire issued share capital of our Company), Mr. Liu (through Heroic Year) became the owner of 100 Shares (representing 10% of the then entire issued share capital of our Company) and Mr. QG Wang (through Noble Praise) became the owner of 10 Shares (representing 1% of the then entire issued share capital of our Company).

Upon the allotment of the 999 Shares, the surplus resulting from such allotment at the subscription price, being the difference between (i) the aggregate amount of the subscription price of approximately HK\$22.8 million and (ii) the aggregate nominal value of the 999 Shares to be allotted and issued (i.e. HK\$99.9) was credited to the share premium account of our Company.

Conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors are authorised to capitalise an amount of HK\$17,587,500 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 130,147,500 Shares, 26,381,250 Shares, 17,587,500 Shares and 1,758,750 Shares for allotment and issue to Golden Truth, Dynamic Fame, Heroic Year and Noble Praise, respectively, on the assumption that their names appear in the register of members of our Company at close of business on 21 September 2017.

It is contemplated that immediately upon Listing, on the assumption that 25% of the entire issued shares of our Company as enlarged by the Offer Shares being allotted by our Company under the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme) will be held by the public, the Shares to be held by Golden Truth, Dynamic Fame, Heroic Year and Noble Praise will represent approximately 55.5%, 11.25%, 7.5% and 0.75% of the entire issued Shares of our Company respectively.

See paragraph 1.2 under Appendix IV — “Statutory and general information” to this prospectus for further details of the changes in our Company’s share capital.

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Disposals during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, our Group disposed of equity interests or assets in certain companies (“**Disposed Entities**”), so that we may focus on the Gas Refuelling Business. Set out below are certain financial information of the Disposed Entities for the three years ended 31 December 2016, their principal business, reasons for acquisition/establishment and subsequent disposal and transactions with our Group.

The Directors however wish to clarify that our Group has never been involved in the business or managed the operation of Nong’an Mother Station, Jilin Jiahong and YB Xinyuan Oil and the financial results of the Disposed Entities have not been included in the historical financial information of our Group during the Track Record Period as they were delineated from our Group’s Gas Refuelling Business.

Name of the Disposed Entities prior to the disposal and relationship with our Group	Revenue ^(Note)			Net profit/ (loss) ^(Note)		
	Year ended 31 December			Year ended 31 December		
	2014	2015	2016	2014	2015	2016
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Nong’an Mother Station (branch company of Changchun Sinogas)	18.1	58.0	11.8	0.1	5.0	(3.0)
Jilin Province Jiahong Energy Development Company Limited (吉林省嘉鴻能源開發 有限公司) (“ Jilin Jiahong ”) (owned as to approximately 61.32% by Jilin Dongkun Gas)	nil	nil	nil	(0.1)	(0.4)	(0.4)
Yanbian Xinyuan Refined Oil Distribution Company Limited (延邊鑫源成品油經銷 有限公司) (“ YB Xinyuan Oil ”) (wholly-owned by Longjing United Strength)	nil	nil	nil	nil	nil	small amount of loss of less than RMB0.1 million

Note: The revenue and net profits/(loss) after tax of the relevant branch company or company were extracted from its unaudited management accounts of such company (in the case of Nong’an Mother Station, Changchun Sinogas) for each of the financial years ended 31 December 2014, 2015 and 2016, which however have not been reviewed or audited by our reporting accountants.

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Name of Disposed Entity	Principal business of the Disposed Entity and reasons for acquisition/establishment and subsequent exclusion	Transactions with our Group during the Track Record Period
Nong'an Mother Station	<p>Nong'an Mother Station had been a branch company of Changchun Sinogas since its acquisition by our Group in December 2014 and up to its de-registration on 6 March 2017. With a view to capitalising on Jingyue Station registered under Changchun Sinogas and the transportation license held by it, our Group only intended to acquire Changchun Sinogas for expanding our Gas Refuelling Business, but not Nong'an Mother Station. However, as a branch company of Changchun Sinogas, Nong'an Mother Station did not have a separate legal entity and therefore when Changchun Sinogas was acquired by us, Nong'an Mother Station which was registered under it was acquired as an entirety.</p> <p>Prior to its de-registration, Nong'an Mother Station was a midstream gas processor which obtained natural gas from upstream natural gas suppliers for further gas processing and handling for re-distribution to local gas refuelling station operators. Its business nature is substantially different from our Gas Refuelling Business as a downstream refuelling station operator. As we did not have the relevant operation personnel, the business of Nong'an Mother Station had been operated and managed by Changchun Yitonghe all along.</p> <p>It was our Group's intention to dispose of Nong'an Mother Station for the following reasons:</p> <ul style="list-style-type: none"> (i) the scale of operation of Nong'an Mother Station was relatively small and its procurement is subject to the residual amount of gas resources held by the large scale suppliers, which limited its bargaining power and rendered it difficult to negotiate better prices with upstream suppliers and obtain sufficient amount of gas supplies in time of tight supply, and hence resulted in higher procurement cost. In view of its low competitive strength, our Directors considered that it would be difficult to rely on Nong'an Mother Station to provide stable and continuous supply of gas at a low cost. Starting from 2016, our Group began to reduce reliance on the supply of natural gas from Nong'an Mother Station, and as a replacement, we increased procurement from independent well-established suppliers which can offer lower procurement cost and stability of gas supply; and (ii) the operation of Nong'an Mother Station involved the processing and handling of dangerous chemicals, which led to additional maintenance cost as a result of injection of additional manpower and resources to ensure efficient and safe operation. <p>In view of the above, the inclusion of Nong'an Mother Station in our Group is not in the interest of our Company and its Shareholders as a whole. Accordingly, assets of Nong'an Mother Station were disposed of by Changchun Sinogas and Nong'an Mother Station was subsequently deregistered.</p> <p>Save for the operation of Nong'an Mother Station as a result of the above acquisition, the principal business of Yitonghe Group did not involve any natural gas processing business similar to that of a mother station. Compared with the size and operation scale of the entire Yitonghe Group, the scale of operation of Nong'an Mother Station was small and given its less competitive strength as outlined above, our Directors considered that it was difficult for Nong'an Mother Station to secure existing customers (including our Group, being its then major customer which significantly reduced the procurement of natural gas from Nong'an Mother Station in 2016) and to attract new third party customers. Without upgrading its facilities and increasing its production capacity which require devotion of significant resources and costs, Nong'an Mother Station may not be in a position to compete with other mother stations or midstream gas suppliers. In view of the above and to the best knowledge of our Directors, Yitonghe Group considered that it would not be in the best interests of Yitonghe Group to acquire the assets of Nong'an Mother Station.</p>	<p>Nong'an Mother Station was one of our top five suppliers for the two years ended 31 December 2015. During the Track Record Period, our Group procured natural gas from Nong'an Mother Station for approximately RMB13.5 million, RMB57.5 million, RMB11.7 million and nil. Save and except the procurement of natural gas, there were no other transactions between Nong'an Mother Station and our Group.</p>

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Name of Disposed Entity	Principal business of the Disposed Entity and reasons for acquisition/establishment and subsequent exclusion	Transactions with our Group during the Track Record Period
Jilin Jiahong	<p>Jilin Jiahong was originally established by two independent business partners (collectively “Jiahong Shareholders”), who invited Jilin Dongkun Gas to invest in Jilin Jiahong by way of injection of a plot of idle land in Changchun City originally owned by Jilin Dongkun Gas (which was subsequently transferred to Jilin Jiahong as consideration to pay up the portion of registered capital injected by Jilin Dongkun Gas). It was the intention of Jiahong Shareholders and Changchun Yitonghe (which was the then controlling shareholder of Jilin Dongkun Gas) to construct and operate a multi-storey car park on the idle land, in order to satisfy the intense demand for car parks. However, in the process of applying for the relevant approvals for construction of the proposed car park, it came to the notice of Changchun Yitonghe that the Changchun City government had designated public parking spaces near the relevant plot of land. Considering that it would be significantly less profitable to carry out its original business plan, Changchun Yitonghe abandoned such plan and Jilin Dongkun Gas disposed of its equity interest in Jilin Jiahong.</p> <p>The permitted scope of business of Jilin Jiahong as recorded in its business licence included, among others, wholesale and retail of natural gas apparatus, however, during the period from its establishment up to 30 December 2016, Jilin Jiahong had not commenced any business.</p>	<p>As Jilin Jiahong did not commence any business during the Track Record Period, there were no transactions between Jilin Jiahong and our Group.</p>
YB Xinyuan Oil	<p>YB Xinyuan Oil was previously owned by Mr. Xue Beihai and Ms. Liu Guilan who were also the then equity-holders of YB Xinyuan Natural Gas. YB Xinyuan Oil and YB Xinyuan Natural Gas were established to construct and operate a petroleum refuelling station and a gas refuelling station next to each other on the same plot of land. Based on our Group’s negotiations with the owners of YB Xinyuan Oil and YB Xinyuan Natural Gas, they only agreed to sell their equity interest in both YB Xinyuan Natural Gas and YB Xinyuan Oil in the same transaction to one purchaser. As a result, Longjing United Strength entered into agreements dated 24 October 2016 for the acquisition of the entire equity interests in both of YB Xinyuan Oil and YB Xinyuan Natural Gas.</p> <p>YB Xinyuan Oil has only obtained approval for location planning and the approval of the construction project environmental impact report for construction of a petroleum refuelling station. From 24 October 2016 to 3 March 2017, the construction of the refuelling station had not commenced and YB Xinyuan Oil had not commenced its operations.</p> <p>Considering that YB Xinyuan Oil can only engage in the Petroleum Refuelling Business after obtaining all relevant approvals, its future business will not be compatible with our Group’s business. As a result, Longjing United Strength disposed of its equity interests in YB Xinyuan Oil.</p>	<p>As YB Xinyuan Oil did not commence any business during the Track Record Period, there were no transactions between YB Xinyuan Oil and our Group.</p>

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The details of the disposals of the equity interest or assets in the above branch company or companies are set out below:

Equity interest or assets disposed of	(a) Date of agreement to the agreement	(b) Parties	Consideration, basis of consideration and date of settlement	Governmental authority which approved the transfer of the equity interest concerned, and the relevant date of approval
Assets (including production facility, property, machinery, equipment and vehicles) in relation to the business of processing and handling of natural gas operated under Nong'an Mother Station	(a) (i)	2 December 2016	(i) approximately RMB9.0 million, fully paid on 21 March 2017	N.A.
	(ii)	15 December 2016	(ii) approximately RMB0.3 million, fully paid on 29 December 2016	
	(iii)	15 December 2016	(iii) RMB22,000, fully paid on 29 December 2016	
	(b) (i)	Changchun Sinogas (as vendor) and Changchun Huize Gas Company Limited (長春匯澤燃氣有限公司) (as purchaser), an Independent Third Party <i>(Note)</i>	(the above considerations were determined with reference to the net asset value of the assets being transferred as stated on the management accounts of Changchun Sinogas as at 31 October 2016)	
	(ii)	Changchun Sinogas (as vendor) and Erdao District Power Equipment Liquefied Gas Station (二道區發電設備液化氣站) (as purchaser), an Independent Third Party	Considering that Nong'an Mother Station had been managed and operated by Changchun Yitonghe, the proceeds from the sale of the assets were payable to Changchun Yitonghe.	
	(iii)	Changchun Sinogas (as vendor) and Changchun City Dingqing Trading Company Limited (長春市鼎慶經貿有限責任公司) (as purchaser), an Independent Third Party		

Note: To the best knowledge of the Directors, Changchun Huize Gas Company Limited acquired such assets with the intention of operating a mother station and is in the process of obtaining the relevant licence and permits for the operation of a mother station as at the Latest Practicable Date.

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Equity interest or assets disposed of	(a) Date of agreement to the agreement	(b) Parties	Consideration, basis of consideration and date of settlement	Governmental authority which approved the transfer of the equity interest concerned, and the relevant date of approval
Approximately 61.32% of the equity interest (being all the equity interests of Jilin Jiahong then owned by Jilin Dongkun Gas) in Jilin Jiahong	(a) 30 December 2016	(b) Jilin Dongkun Gas (as vendor) and Beijing Zhidekai Investment Company Limited (北京智德凱投資有限公司) (as purchaser), an Independent Third Party	RMB16 million (based on the market value of certain land use right and property owned by Jilin Jiahong as at 15 September 2014 and not lower than the net asset value of the corresponding equity interest being transferred as stated in the unaudited management accounts of Jilin Jiahong of the month immediately preceding the date of the agreement), fully paid and received by our Group on 7 March 2017, such amount is payable by our Group to Changchun Yitonghe as Jilin Jiahong had not engaged in the Group's Gas Refuelling Business and it was excluded from our Group during the Track Record Period.	Changchun AIC, 19 January 2017
100% of the equity interest in YB Xinyuan Oil (<i>Note</i>)	(a) 10 March 2017	(b) Longjing United Strength (as vendor) and Changchun Yitonghe (as purchaser)	RMB2 million (determined having regard to the face value of the equity capital agreed to transferred), fully paid on 16 March 2017.	Market and Quality Supervision Administration of Hunchun City (琿春市市場和質量監督管理局) (“ Hunchun MQSA ”), 13 March 2017

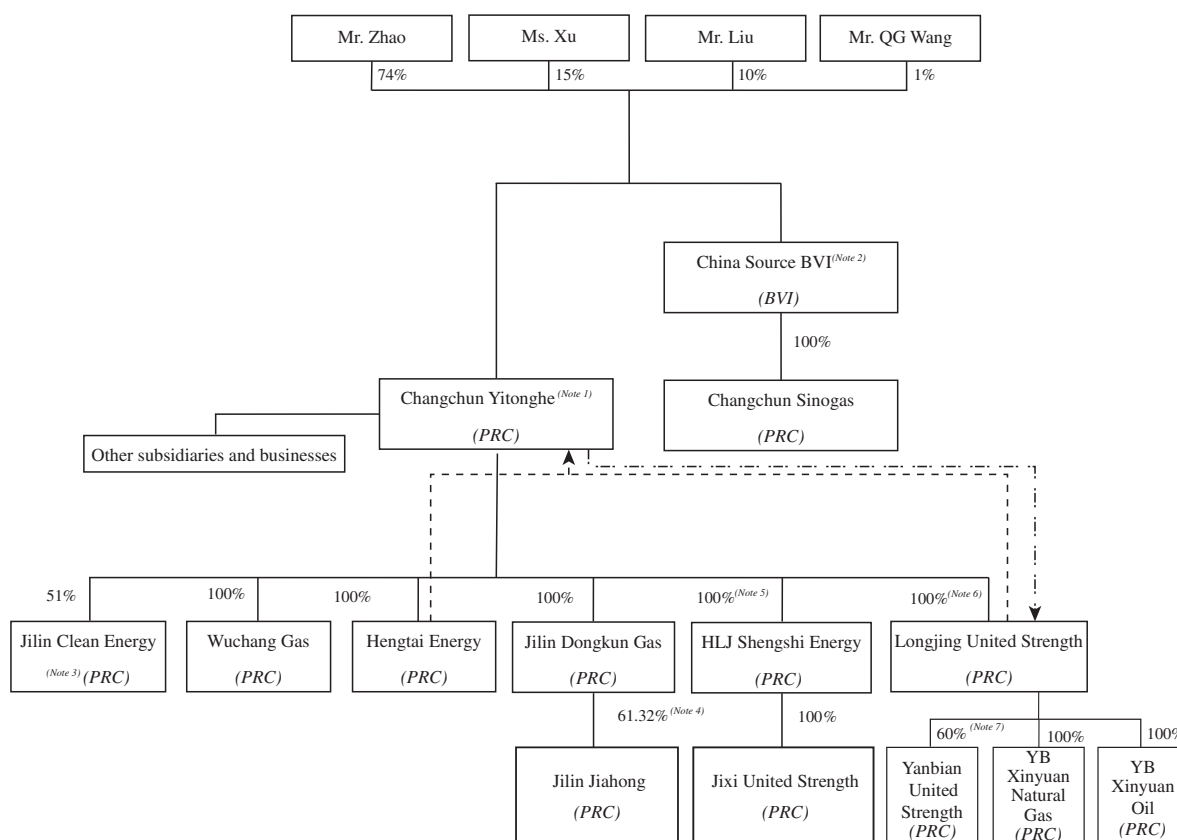
Note: By the equity transfer agreements both dated 24 October 2016, Mr. Xue Beihai and Ms. Liu Guilan agreed to transfer 60% and 40% of the registered capital in YB Xinyuan Oil to Longjing United Strength at a consideration of RMB1.2 million and RMB0.8 million respectively. The consideration was determined having regard to the face value of the equity capital agreed to be transferred. The consideration for such acquisition had been fully paid by Longjing United Strength in October 2016 and is payable by Changchun Yitonghe to our Group as YB Xinyuan Oil had not engaged in our Group's Gas Refuelling Business and it was excluded from our Group during the Track Record Period. Such amount had been paid by Changchun Yitonghe to our Group in March 2017 upon the disposal of the entire equity interest in YB Xinyuan Oil by Longjing United Strength to Changchun Yitonghe. The acquisition of equity interest to Longjing United Strength was completed on 24 October 2016, and the relevant filing with Hunchun MQSA was completed on 25 October 2016.

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REORGANISATION

The corporate structure of our Group and our subsidiaries as at 18 December 2016 immediately prior to our Reorganisation is as follows:

Chart 1



--- --> denotes the five separate entrustment agreements entered into between Changchun Yitonghe and Longjing United Strength in relation to the entrustment of the Gas Refuelling Business to our Group. For details, please refer to the section headed “Connected transactions—Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus.

-----> denotes the two separate entrustment agreements entered into between Changchun Yitonghe, Longjing United Strength and Hengtai Energy in relation to the entrustment of the Petroleum Refuelling Business to Changchun Yitonghe. For details, please refer to the section headed “Connected transactions—Exempted continuing connected transactions — 4. Entrustment of Changchun Yitonghe for operation and management of Petroleum Refuelling Business” in this prospectus.

HISTORY, REORGANISATION AND DEVELOPMENT

Notes:

1. Changchun Yitonghe had other subsidiaries and businesses which are not involved in the Reorganisation and will not form part of our Group. For details of those excluded companies and businesses, please refer to the section headed “Relationship with our Controlling Shareholders — Delineation of businesses and competition — Business of Yitonghe Group” in this prospectus.
2. China Source BVI was beneficially owned as to 74% by Mr. Zhao, 15% by Ms. Xu, 10% by Mr. Liu and 1% by Mr. QG Wang, and the entire equity interest in China Source BVI had been registered in the name of Mr. Liu, who had held the relevant equity interest on trust for the benefit of each of Mr. Zhao, Ms. Xu and Mr. QG Wang from 16 December 2014 to 29 December 2016. On 29 December 2016, for the purpose of unwinding the trust arrangement, Mr. Liu transferred 74%, 15% and 1% of the entire equity interest in China Source BVI to Mr. Zhao, Ms. Xu and Mr. QG Wang respectively.
3. The remaining 49% equity interest in Jilin Clean Energy was owned by Jilin Petroleum. Otherwise than by virtue of its being a substantial shareholder of Jilin Clean Energy, hence a connected person of our Company, Jilin Petroleum is an Independent Third Party.
4. The remaining 30.94% and 7.74% equity interest in Jilin Jiahong was owned by Mr. Wang Honggang (王紅罡) and Mr. Li Songhao (李松昊). Save for being the then substantial shareholder of Jilin Jiahong, each of Mr. Wang and Mr. Li Songhao is an Independent Third Party.
5. The sole beneficial owner of HLJ Shengshi Energy has been Changchun Yitonghe since the incorporation of HLJ Shengshi Energy. Among the entire registered capital of HLJ Shengshi Energy, 85.4% is registered in the name of Changchun Yitonghe and an aggregate of 14.6% is registered in the name of three individuals, namely, Mr. Yin Naixun (a director of Longjing United Strength and Yanbian United Strength), Mr. Wang Chengxun (the sole director and manager of Jixi United Strength) and Ms. Meng Hao, a daughter of Mr. Meng Xiang (a member of the senior management of our Group and a director of Longjing United Strength and Yanbian United Strength). Such individuals have been holding the said registered capital on trust for the benefit of Changchun Yitonghe.
6. The sole beneficial owner of Longjing United Strength has been Changchun Yitonghe since the incorporation of Longjing United Strength. Before the implementation of the Reorganisation, among the registered capital in Longjing United Strength, 5% and 5% was registered in the name of each of Mr. Yin Naixun (see note 5 above) and Ms. Meng Hao (see note 5 above), respectively, who had held the said registered capital on trust for the benefit of Changchun Yitonghe.
7. The remaining 40% equity interest in Yanbian United Strength was owned by Mr. Shao Wenyan. Otherwise than by virtue of his being a substantial shareholder of Yanbian United Strength, hence a connected person of our Company, Mr. Shao is an Independent Third Party.

Our Group underwent the Reorganisation prior to Listing, which involved the following steps:

1. Incorporation of our Company

On 19 December 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its initial authorised share capital was HK\$380,000 divided into 3,800,000 Shares with a par value of HK\$0.10 per Share. On 19 December 2016 (i.e. the date of its incorporation), one subscriber Share was allotted and issued, credited as fully paid up, to an officer of the registered agent of our Company, such share was transferred to Golden Truth (which was solely owned by Mr. Zhao) on the same date. As at 16 March 2017, upon issue and allotment of 999 Shares, Golden Truth, Dynamic Fame, Heroic Year and Noble Praise became the respective owners of 740 Shares (representing 74% of the then entire issued share capital of our Company), 150 Shares

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(representing 15% of the then entire issued share capital of our Company), 100 Shares (representing 10% of the then entire issued share capital of our Company) and 10 Shares (representing 1% of the then entire issued share capital of our Company). The subscription prices of such Shares are approximately HK\$16.9 million, HK\$3.4 million, HK\$2.3 million and HK\$0.2 million, respectively. At the direction and instruction of our Company, the subscription prices in the aggregate amount of approximately HK\$22.8 million was paid to United Strength HK as a shareholder's loan from our Company to United Strength HK. The subscription prices were paid by Mr. Zhao (for himself and on behalf of other shareholders) using his own financial resources. The advances made by Mr. Zhao to the other shareholders for such subscriptions were repaid to Mr. Zhao by such shareholders on 20 March 2017.

2. Incorporation of United Strength BVI

On 4 January 2017, United Strength BVI was incorporated in BVI. Its initial authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each. On 4 January 2017 (i.e. the date of its incorporation), United Strength BVI allotted and issued 100 shares to our Company at a total subscription price of US\$100 and the total issued share capital of United Strength BVI has remained unchanged up to the Latest Practicable Date.

3. Incorporation of United Strength HK

On 17 January 2017, United Strength HK was incorporated in Hong Kong. On the date of its incorporation, United Strength HK allotted and issued one share to United Strength BVI at a total subscription price of HK\$1. The total issued share capital of United Strength HK was HK\$1 and has remained unchanged up to the Latest Practicable Date.

4. Acquisition of Changchun Sinogas by United Strength HK

Pursuant to the Changchun Sinogas Acquisition Agreement, in February 2017, United Strength HK acquired from China Source BVI 100% of the registered capital in Changchun Sinogas at the consideration of RMB20 million, which was funded by the shareholder's loan from our Company as disclosed above. As at 28 December 2016, Changchun Sinogas had one wholly owned subsidiary, namely, MHK Yujia Petrochemical. For details of the acquisition, please refer to the paragraph headed "Change in registered or issued capital and/or equity holders of members of our Group — Change in registered capital and/or equity-holders of the PRC Operating Subsidiaries during the Track Record Period and up to the Latest Practicable Date — 1. Changchun Sinogas" in this section above.

5. Acquisition of the remaining PRC Operating Subsidiaries by Changchun Sinogas

Pursuant to the Jilin Clean Energy Acquisition Agreement, the Wuchang Gas Acquisition Agreement, the Hengtai Energy Acquisition Agreement, the Jilin Dongkun Gas Acquisition Agreement, the Jixi United Strength Acquisition Agreement and Longjing United Strength Acquisition Agreements, each of Jilin Clean Energy (as to 51% equity interest), Wuchang Gas, Hengtai Energy, Jilin Dongkun Gas, Jixi United Strength, Longjing United Strength (which owned Yanbian United Strength (as to 60% equity interest) and YB Xinyuan Natural Gas) was acquired by Changchun Sinogas in March 2017 at an aggregate consideration of RMB55.8 million, out of which RMB55

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million was funded by a loan from Changchun Yitonghe. Such loan was subsequently repaid by Changchun Sinogas on 15 March 2017, using the dividends declared and paid by Longjing United Strength to Changchun Sinogas. For details of the acquisitions, please refer to the paragraph headed “Change in registered or issued capital and/or equity holders of members of our Group — Change in registered capital and/or equity-holder of the PRC Operating Subsidiaries during the Track Record Period and up to the Latest Practicable Date” in this section above.

Upon completion of the Reorganisation in March 2017, our Company became the holding company of our Group. Our PRC Legal Adviser advised that in all material aspects, all our Reorganisation steps were legal and valid, and all requisite approvals, permits and licenses required for each stage of Reorganisation within the PRC have been obtained and all the necessary filings and registration have been effected.

As at the Latest Practicable Date, the following individuals (who are all PRC nationals) were the ultimate individual Shareholders of our Company: Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang.

The above individuals have effected registration with China Construction Bank, Changchun Erdao Branch as required under the SAFE Circular No. 37 and SAFE Circular No.13 on 16 February 2017.

6. Exclusion of certain companies or businesses

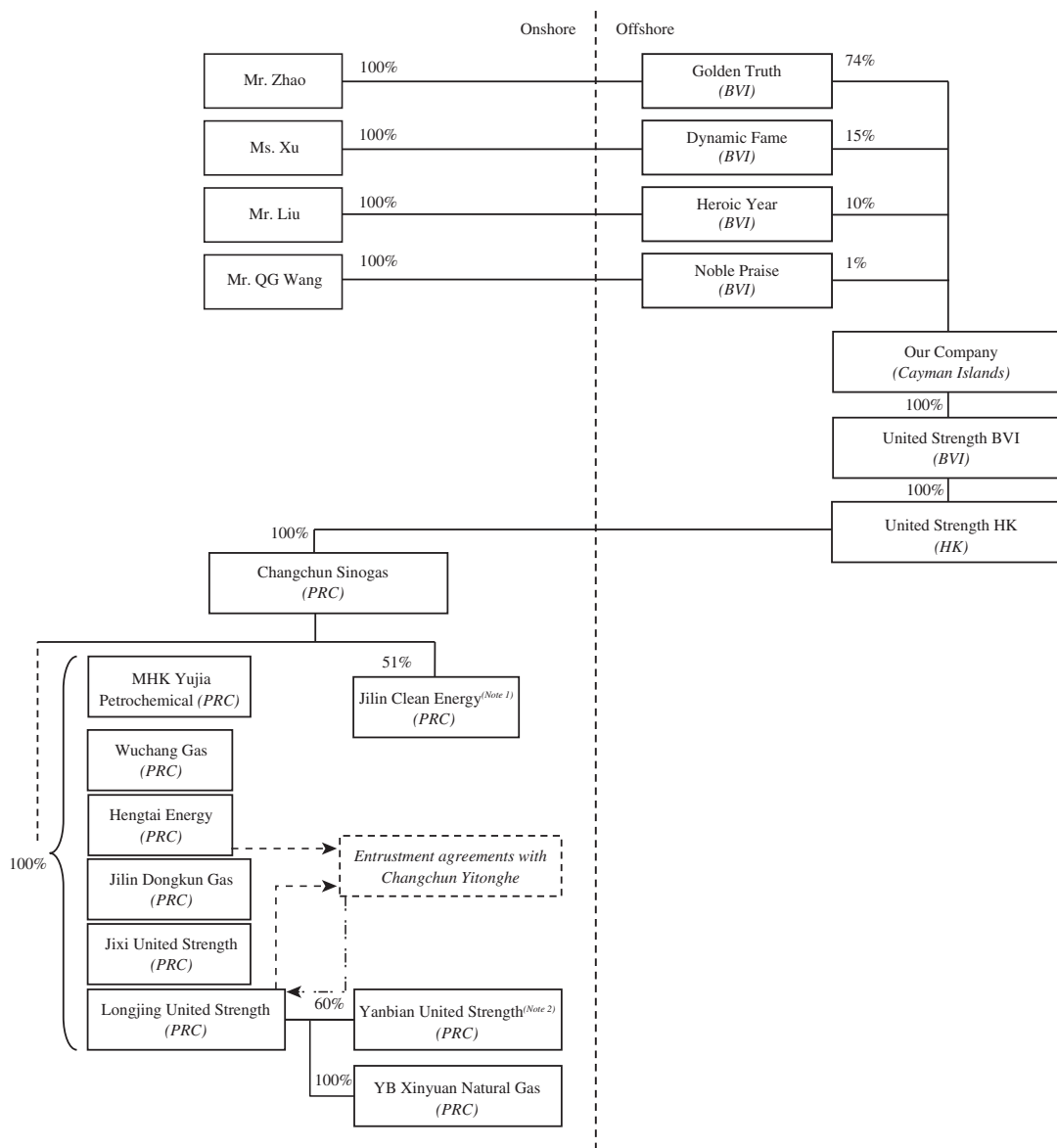
Immediately before the Reorganisation, Mr. Zhao, one of the Controlling Shareholders and his close associates had interest (having such meaning ascribed in the note to Rule 8.10(1) of the Listing Rules) in several companies and businesses (through the interest in United Strength Investment Group, Changchun Yitonghe or China Source BVI) relating to our Group’s Gas Refuelling Business or other gas-related business. To avoid potential competition between their businesses and that of our Group, certain companies and refuelling stations were excluded as part of the Reorganisation.

For details of those companies and refuelling stations which were excluded from our Group and the Deed of Non-competition given by our Controlling Shareholders, please refer to the sections headed “Relationship with our Controlling Shareholders — Delineation of businesses and competition” and “Relationship with our Controlling Shareholders — Competition and conflict of interests — Undertakings given by Controlling Shareholders” in this prospectus.

HISTORY, REORGANISATION AND DEVELOPMENT

The corporate structure of our Group and our subsidiaries immediately after the Reorganisation but before completion of the Global Offering is as follows:

Chart 2



-----> denotes the five separate entrustment agreements entered into between Changchun Yitonghe and Longjing United Strength in relation to the entrustment of the Gas Refuelling Business to our Group. For details, please refer to the section headed “Connected transactions—Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus.

-----> denotes the two separate entrustment agreements entered into between Changchun Yitonghe, Longjing United Strength and Hengtai Energy in relation to the entrustment of the Petroleum Refuelling Business to Changchun Yitonghe. For details, please refer to the section headed “Connected transactions — Exempted continuing connected transactions — 4. Entrustment of Changchun Yitonghe for operation and management of Petroleum Refuelling Business” in this prospectus.

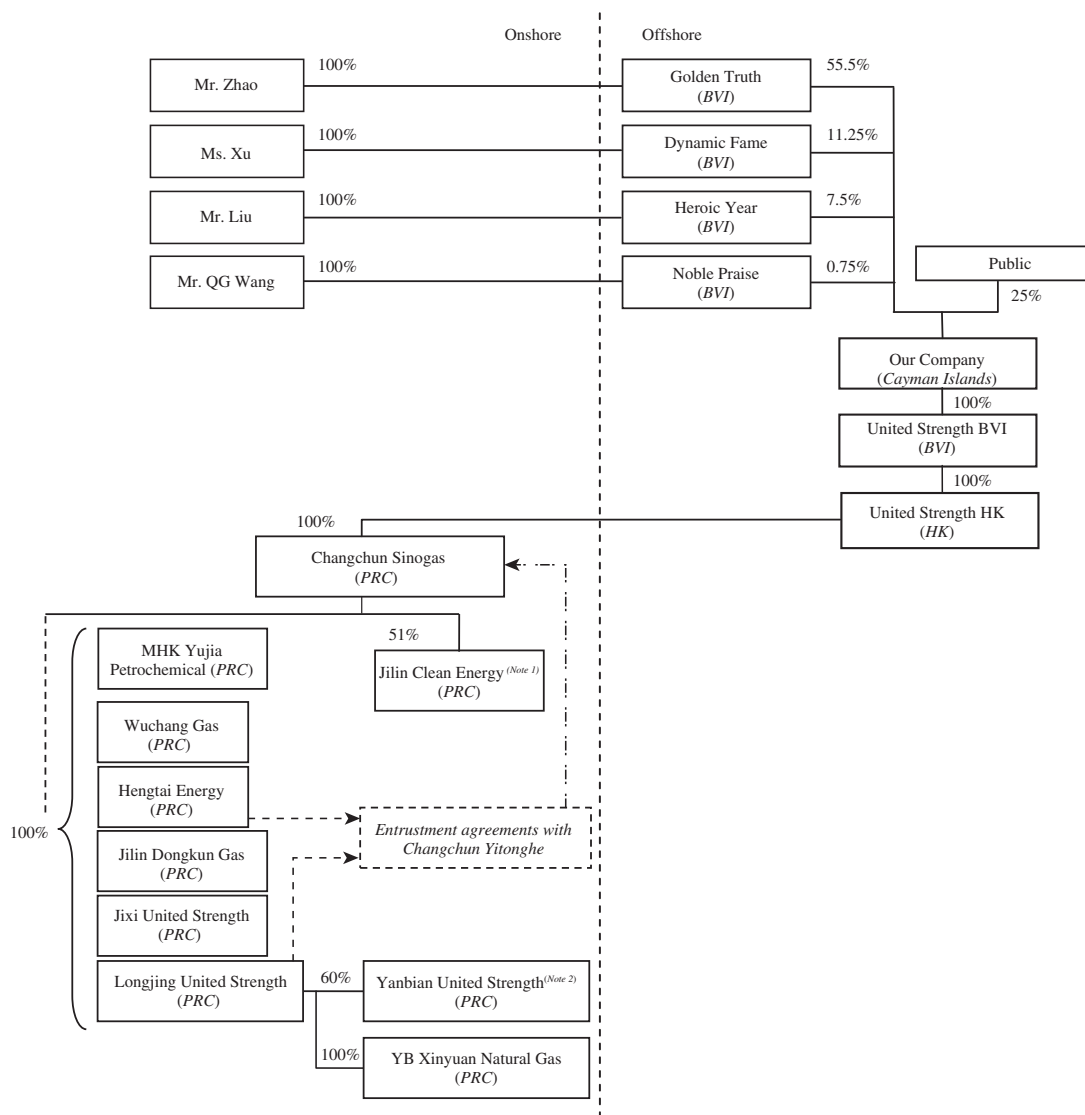
Note:

1. Please refer to Note 3 set out in “— Chart 1”.
2. Please refer to Note 7 set out in “— Chart 1”.

HISTORY, REORGANISATION AND DEVELOPMENT

The corporate structure of our Group and our subsidiaries immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) will be as follows:

Chart 3



---> denotes the Gas Business Entrustment Agreement entered into between Changchun Yitonghe and Changchun Sinogas. For details, please refer to the section headed “Connected transactions—Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus.

-----> denotes the Gas Business Entrustment Agreement entered into between Changchun Yitonghe, Longjing United Strength and Hengtai Energy. For details, please refer to the section headed “Connected transactions — Exempted continuing connected transactions — 4. Entrustment of Changchun Yitonghe for operation and management of Petroleum Refuelling Business” in this prospectus.

Note:

1. Please refer to Note 3 set out in “— Chart 1”.
2. Please refer to Note 7 set out in “— Chart 1”.

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OVERVIEW

We are a leading vehicle CNG refuelling station operator in Jilin Province, the PRC. According to the F&S Report, we ranked second with a market share of 6.2% in Jilin Province's CNG refuelling station market in terms of CNG sales volume in 2016.


We operated a total of 19, 23, 20 and 20 CNG refuelling stations (including one mixed station with CNG and LNG for sales) in Northeast China with approximately 87.2%, 92.0%, 92.8% and 92.6% of our total revenue attributable to sales of CNG for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. In addition to operation of CNG refuelling stations, we also generated a portion of our total revenue from (i) the operation of LPG and LNG refuelling stations and (ii) the ancillary business of wholesale of CNG and LPG in 2016, which accounted for approximately 5.6% and 0.6% of our total revenue for the year ended 31 December 2016 and the three months ended 31 March 2017.

We established Longjing United Strength, our wholly owned subsidiary to engage in the gas refuelling station business, in 2007. In view of the increasingly developed CNG refuelling stations market in Jilin Province, Changchun Yitonghe began planning and construction for mixed-fuel stations where both gasoline and CNG are sold while opportunities for acquisition of companies with CNG refuelling station business were seized to further expand the CNG refuelling station network.

With the initial success and experience in developing CNG refuelling station business, we continued to expand our CNG refuelling station business by constructing new stations and acquiring companies with CNG refuelling station operation. Owing to the hurdles and uncertainties involved in obtaining approval for construction of refuelling stations, developing our CNG refuelling station business by way of acquisition of companies with the relevant business was considered preferable.

Since 2013, Changchun Yitonghe centralised the gas refuelling station related businesses and its management and to further expand the Gas Refuelling Business, which resulted in (i) the eventual acquisitions of the entire equity interests of Changchun Sinogas through acquiring 100% equity interests of China Source BVI and 51% equity interests of Jilin Clean Energy, which were engaged in, amongst others, the operation of the Jointly-owned Refuelling Stations in Jilin Province; and (ii) the seven separate entrustment agreements to entrust our Group (through Longjing United Strength) with the right to operate and manage the Gas Refuelling Business at the seven Mixed Refuelling Stations i.e. Yitonghe Entrusted Refuelling Stations. For details of the background of the acquisition and the entrustment agreements, please refer to the sections headed "History, reorganisation and development", "Relationship with our Controlling Shareholders" and "Connected transactions" in this prospectus.

As at the Latest Practicable Date, our Group operated 25 gas refuelling stations: 14 Self-owned Refuelling Stations, six Jointly-owned Refuelling Stations and five Yitonghe Entrusted Refuelling Stations.

We operate the Self-owned Refuelling Stations and Yitonghe Entrusted Refuelling Stations under the trademark of "  " and the trade name of "眾誠連鎖". Going forward, we intend to further expand

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our CNG refuelling station network in Jilin Province by acquiring six CNG refuelling stations (via acquisition of several companies with such business) and operate the newly acquired stations with the same trademark and trade name. For details of our business strategies, please refer to the paragraph headed “Our business strategies” in this section.

Our refuelling stations are equipped with fuel dispensers connected to computerised control panels. The control panels are installed with Transaction Recording Software and are linked to our servers maintained by our IT service provider, thereby enabling us to adjust the selling price, record and monitor sales at each stations, complete payment by transferring balances from our customers’ pre-paid accounts on a real-time basis and implement our membership programme by our management team via computers which allow access to the data on the servers. We believe our sophisticated sales management system fosters efficiency and lays the foundation for our future expansion.

Our customers are mainly CNG vehicle users which include individual customers, such as taxi drivers and corporate customers such as bus operators, logistics companies and driving schools. Our customer base is broad and diverse. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, revenue attributable to our top five customers amounted to approximately 3.1%, 4.9%, 7.3% and 3.7% of our total revenue respectively while revenue attributable to our top customer amounted to approximately 1.4%, 2.4%, 1.9% and 1.5% of our respective total revenue during the same period. We value our customer and started our membership programme in 2010, which provides members with discounts. To cater for institutional customers’ needs to track the level of fuel usage of each vehicle in their fleets, we set up corporate accounts for corporate customers and issued linked membership cards under the same corporate.

The principal raw material involved in our operation was CNG. As we are not engaged in natural gas exploitation, natural gas processing or oil refining, to secure stable supply of these fuels, we typically enter into annual gas supply framework agreements with our fuel suppliers, in which salient terms such as level of supply, quality of fuels, delivery and payment arrangement are set out. During the Track Record Period, approximately 75.0%, 67.7%, 56.0% and 66.5% of our total purchase were attributable to our top five suppliers while the total purchase attributable to the top supplier in 2014, 2015 and 2016 and the three months ended 31 March 2017, accounted for approximately 26.4%, 25.1%, 24.1% and 25.7% of the total purchase of the respective periods. Amongst our top five suppliers, Jieli Logistics, a connected person of our Company and our sole supplier for transportation service, was also one of our top customers during the Track Record Period. For further details, please refer to the paragraph headed “Entities who are our customers and also our suppliers” in this section and the section headed “Connected transactions” in this prospectus.

Leveraging on our established presence in Jilin Province, stable relationship with our suppliers and major customers, and our experienced and stable professional management team, we achieved stable growth in sales volume and earnings for the three years ended 31 December 2016. Our CNG sales volume increased from approximately 51.5 million m³ in 2014 to 75.4 million m³ in 2016, representing a CAGR of approximately 21.0%. Our gross profit increased from approximately RMB44.1 million in 2014 to RMB87.0 million in 2016. As the purchase price for CNG decreased at a faster pace than the decrease in the retail selling price of our CNG during the Track Record Period,


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we recorded a continuous increase in our gross profit margin, which was approximately 17.5%, 25.3%, 31.7% and 35.8% for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Our net profit margin was 3.6%, 9.7%, 12.6% and 2.8%, respectively, for the same periods.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to consolidate our leading position in the vehicle gas refuelling station industry in Jilin Province and allow us to capture the benefits of the growing demand for vehicle natural gas in the PRC amidst the heightened awareness for environmental protection:

We are one of the leading vehicle natural gas refuelling station operators with well-established presence and safety track record in Jilin Province

We are one of the pioneers for CNG refuelling station operator in Jilin Province and have an operating history of over 10 years in Jilin Province. As at the Latest Practicable Date, we operated 19 gas refuelling stations under the trademark of “” and the trade name of “眾誠連鎖”, of which 13 were CNG refuelling stations and one was a mixed-fuel (CNG-LNG) station. We place strong emphasis on safety and quality of our services. As such, we invested in installing safety equipment at the stations and in providing continuous trainings to our operation staff. In 2012, we were provided with the safety management consultancy services by a U.S. based industrial safety consultant company which provides, amongst others, safety performance consulting service and thereby improved our operation's safety performance. Our safety track record had earned us the Safe Production Outstanding Unit of 2015 (二零一五年度安全生產工作優秀單位) by the Public Utility Bureau of Liaoyuan City (遼源市公用事業局) in January 2016. Further, to maintain the quality of fuels we sell at our stations, we primarily procure our raw materials from suppliers which could provide gas quality test reports and assess the reliability of our suppliers by conducting market research. According to the F&S Report, vehicle gas refuelling station market is relatively regionally restricted and requires strong local brand recognition. Local vehicle gas end-users are more apt to patronise those local well-established refuelling stations to refuel their gas-fuelled vehicles as those stations can usually provide safe and quality guaranteed service. As such, our Directors believe that our well-established presence in Jilin Province provides us with an advantage in terms of maintaining existing customer base and exploring new business opportunities.

Strategic location in Northeast China enables us to benefit from the significant growth opportunities of the vehicle gas refuelling station market, as well as the supportive government policies in this region

According to the F&S Report, the gas sales volume of CNG refuelling station in China has experienced significant growth during the past few years. Massive amount of CNG refuelling stations were constructed in order to cater for the increasing demand for vehicle natural gas. The gas sales volume of CNG refuelling station in China increased from around 14.7 billion m³ in 2011 to around 48.2 billion m³ in 2016, representing a CAGR of around 26.9%. The number of CNG refuelling stations in China also increased from around 2,300 in 2011 to around 5,200 in 2016 with a CAGR of around 17.5%. According to the F&S Report, the gas sales volume of CNG refuelling stations in Jilin

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Province increased from around 237.8 million m³ in 2011 to around 1,093.7 million m³ in 2016, representing a CAGR of around 35.7%. The number of CNG refuelling stations in Jilin Province also increased from 60 in 2011 to 264 in 2016 with a CAGR of around 34.5%. As one of the leading vehicle natural gas refuelling station operators in this region, we have the geographical advantages to capture the growth opportunity of the vehicle gas refuelling station market in Jilin Province and the rest of Northeast China. Strategically located in this region, we believe that we will continue to benefit from the high demand for energy products, in particular, clean energy such as CNG and LNG.

In recent years, the PRC government has issued a series of policies to support further development and utilisation of natural gas and natural gas vehicles such as “Guidelines of Energy Work in 2017” (《2017年能源工作指導意見》) and “Action Plan of Energy Development Strategy (2014-2020)” (《能源發展戰略行動計劃(2014-2020年)》). In addition, the PRC government has in recent years promulgated various regulations and policies to further promote the economic development in northeastern China. Pursuant to the Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related to Enhancing the Western Region Development Strategy (《關於深入實施西部大開發戰略有關企業所得稅問題的公告》) issued by the SAT on 6 April 2012 and the relevant notices issued by local tax authorities, we enjoyed a reduced enterprise income tax rate of 15%.

Similar policies had been issued by the local government in Jilin Province to support the development of local vehicle natural gas refuelling station market. Pursuant to the “Plan of Changchun’s Vehicle Gas Refuelling Station Layout (2016-2030)” (《長春市加氣站佈局專項規劃(2016-2030)》), the local government planned to increase the number of vehicle gas refuelling station. With reference to the “Proposal of Promoting “Gasified Jilin Project”” (《關於加快推進“氣化吉林”戰略的議案》), the local government planned to further promote the utilization of natural gas with various measures. Under the promotion of “Gasification in Jilin (《氣化吉林工程》)” by the government of Jilin Province, CNG vehicle fuel was further utilised in recent years. Besides, the “Plan of Air Pollution Control by Promoting the “Gasified Jilin Project”” (《加快推進“氣化吉林”防治大氣污染規劃》) and the 13th Five Year Plan for Energy Development of Jilin Province (《吉林省能源發展“十三五”規劃》) further promote the use of natural gas vehicles. According to the F&S Report, in Jilin Province, the gas sales volume of CNG refuelling station is expected to increase to 1,711.3 million m³ and the number of CNG refuelling station is expected to increase to around 356 in 2021. Strategically located in Northeast China, we believe that we will continue to enjoy the benefits resulting from government economic policies and preferential tax treatment.

We have established stable rapport with our major customers and suppliers

We have stable business relationship with our major customers and suppliers. Our top five customers during the Track Record Period have maintained up to 10 years of business relationship with us while that with our top five suppliers during the Track Record Period ranged from two to 10 years. Our stable business relationship with our major customers, which primarily include public transportation operators and logistics companies, provides us with consolidated customer base and revenue stream. We believe that our membership system promotes customer loyalty and intend to revamp our membership system so as to provide improved customer experience to our customers and utilise the potential of the membership system as a marketing channel.

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According to the F&S Report, stable and reliable gas supply is crucial for the steady operation and development of local gas refuelling stations. As such, we believe that our stable business relationship with our major suppliers is a valuable foundation for our operation and further expansion.

We are led by an experienced, stable and professional management team

Our management team has extensive experience in the oil and gas industry. Most of our executive Directors and senior management team have more than 18 years of work experience in the oil and gas sector. Mr. Zhao, the Chairman of our Board and an executive Director, was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) at the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), in the PRC, in 1990 and has approximately 18 years of experience in the oil and gas industry. Our Chief Executive Officer and executive Director, Mr. Xu, has over 14 years of experience in the oil and gas industry and finance management, including over 12 years of experience in the Sinochem Group (中國中化集團公司), which is principally engaged in, among other businesses, trading, distribution, development of sale networks of oil and gas products. Mr. Xu had been serving in various subsidiaries of the Sinochem Group and joint ventures of the Sinochem Group and TOTAL S.A., a France-based oil and gas company under various management titles as assistant general manager, deputy general manager and general manager. He was generally responsible for general management and participation in the business operation and development. For further details of the experience of our executive Directors, please refer to the section headed “Directors and senior management” in this prospectus.

According to the F&S Report, vehicle gas refuelling station business requires management team with rich project experience to formulate expansion plan because the business performance of refuelling station is related to the location, traffic flow and local usage rate of natural gas vehicles. We believe that our management team’s remarkable experience and knowledge in the oil and gas industry has enabled us to consolidate our leading position in Jilin Province as a vehicle natural gas refuelling station operator, formulate effective business strategies, explore other business opportunities in the energy sector, manage risks, and maximise our shareholder value.

OUR BUSINESS STRATEGIES

We strive to further strengthen our position as a leading vehicle CNG refuelling station operator in Jilin Province. To achieve these goals, we plan to (i) expand our CNG refuelling stations network in Jilin Province by acquiring six CNG refuelling stations (via acquisition of several companies with such business); (ii) strengthen our marketing and promotion strategies; and (iii) enhance our service quality.

Expand our CNG refuelling stations network in Jilin Province by acquisition of companies with CNG refuelling stations business

We believe that expansion of our existing refuelling stations network is essential to increase our market share and maintain our leading market position in Jilin Province. According to the F&S Report, with government’s continuous promotion of natural gas energy and improving natural gas infrastructures in Jilin Province, vehicle gas refuelling station market of Jilin Province is estimated to further develop, with CNG sales volume of vehicle gas refuelling station in Jilin Province projected

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to reach 1,711.3 million m³, representing a CAGR of 9.4% from 2016 to 2021, and the number of CNG refuelling station projected to reach 356 in 2021. Leveraging on our operation track record in Jilin Province, we plan to capitalise on our affluent management experience and the increasing demand for clean energy by operating additional refuelling stations in Jilin Province through acquiring six CNG refuelling stations (via acquisition of companies with such business).

The following table sets out the number of stations we intend to acquire from Independent Third Parties and add to our existing stations network, the expected average expenditure of acquiring a new station, and the approximate expected payback period per station for the years ending 31 December 2018 and 2019, respectively:

	For the years ending 31 December	
	2018	2019
	Number of acquired stations	Number of acquired stations
Number of stations:		
- Jilin City, Jilin Province	1	1
- Changchun City, Jilin Province	2	1
- Yanji City, Jilin Province	1	nil
Total:	<u>4</u>	<u>2</u>
Estimated expenditure of acquiring station ⁽¹⁾	RMB76.0 million	RMB38.0 million
Expected payback period per station (year) ⁽²⁾	Approximately 9 years	Approximately 9 years

Notes:

1. The expected expenditure of acquiring a station included RMB18.0 million for the consideration of acquisition and RMB1.0 million for upgrading and replenishing the newly acquired stations' facilities.
2. Expected payback period per station is calculated with reference to the accumulated cash flow from a particular gas refuelling station to cover the costs of acquisition, opening and operating the gas refuelling station for the period, including estimated capital expenditures and ongoing cash and non-cash operating expenses, of the particular gas refuelling station.


As construction and operation of vehicle gas refuelling station requires prerequisite local government approval and procurement of building quota in the relevant areas at the discretion of the relevant authorities, it is relatively difficult to estimate when or where we can complete the construction of a vehicle gas refuelling station. As such, we intend to expand our stations primarily by way of acquisition of equity interests of companies operating the relevant stations from small size competitors which have already obtained the relevant approvals and licences for operation. Our PRC Legal Adviser is of the view that there is no legal impediment in obtaining the approval from the relevant local authorities for such acquisition of companies provided that the proper administrative steps such as amendments of AIC filing are taken.

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As at the Latest Practicable Date, we have not identified any acquisition targets for expanding our CNG refuelling station network. Our Directors will take into account the following factors when determining which company (or the station(s) it operates) would be suitable for our business expansion:

- location of the station, in particular, the local economic circumstances such as GDP and per capita consumption power, the level of utilisation of CNG vehicles in the areas, and the development of transportation network;
- existing turnover of the station and the return rate for the acquisition;
- whether the station has experienced material non-compliance or safety-related incidents;
- consideration for the acquisition;
- whether the vendor of the acquisition target is an Independent Third Party; and
- our ability to secure CNG supply for and provide logistic support to the station.

Prior to entering into any formal agreement with the owner of an acquisition target, we intend to obtain the financial information regarding the station, conduct due diligence exercise on the station's land rights and property rights, and conduct feasibility analysis, if appropriate.

Prior to acquiring a CNG refuelling station, our management team will inspect the existing facilities at the station, including but not limited to, the gas dispensers, the storage system, gas compressor, and payment system. As safety is of paramount importance to our operation, we intend to upgrade or replace the equipment which is worn out or does not meet our safety standard. To integrate the newly acquired station with our IT system, we will install the necessary computer hardware and software at the station. We will also renovate the stations to ensure the trademark of “” and the trade name of “眾誠連鎖” is displayed properly at the station.

The total planned expenditure for our network expansion is expected to be approximately HK\$90.6 million (equivalent to approximately RMB76.0 million) and approximately HK\$45.3 million (equivalent to approximately RMB38.0 million) for each of the year ending 31 December 2018 and 2019, respectively. Our Directors believe that the net proceeds from the Global Offering together with our internal resources will be sufficient to cover the costs of our current expansion plan. To the extent that the net proceeds are not sufficient to fund such plan, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising.

Our Directors are of the view that there will be sufficient demand for our new refuelling stations we plan to operate, based on (i) the historical growth of CNG sales volume in Jilin Province, at a CAGR of 35.7% from 2011 to 2016 and the expected growth of CNG sales volume from 1,093.7 million m³ to 1,711.3 million m³ from 2016 to 2021 at a CAGR of 9.4% as reported in the F&S Report; (ii) the promotion of natural gas utilisation by the provincial government, such as the Proposal of

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Promoting “Gasified Jilin Project” (《關於加快推進“氣化吉林”戰略的議案》) and the 13th Five Year Plan for Energy Development of Jilin Province (《吉林省能源發展“十三五”規劃》) issued by the Energy Administration of Jilin Province; and (iii) the enhanced marketing strategies which will further improve our sales performance and customer loyalty.

Our Directors expect that our expansion plan will affect our cash flows and liquidity position primarily due to increase in capital expenditures. The total expected cash outflow for acquiring four and two additional stations in the end of the financial year 2018 and 2019 is expected to amount to approximately RMB76.0 million and RMB38.0 million, respectively. Moreover, the expected average payback period of these new stations is approximately nine years, which is not expected to cause significant impact to our Group’s cash flows and liquidity position. In light of the above, our Directors are of the view that the expansion plan of our Group will not cause material adverse impact on our cash flow and liquidity position.

Our Directors endeavour to launch our expansion plan as intended. Nevertheless, owing to the uncertainty associated with negotiations with owners of refuelling station regarding the terms of the acquisition, the actual number, location and timing of new stations’ openings in any period may be adjusted. Our Directors will take into account of our liquidity status, the existing market conditions, the expected payback period when making any necessary adjustment to our expansion plan. Please refer to the section headed “Risk factors — Risks relating to our business and industry — Our business requires significant start-up capital expenditures, and any significant increase in the cost of developing our gas refuelling stations may materially and adversely affect our business, financial performance and prospects” in this prospectus.

Strengthen our marketing and promotional strategies

According to the F&S Report, vehicle gas refuelling station market is relatively regionally restricted and requires strong local brand recognition for operator to flourish. As such, apart from expanding our stations network in Jilin Province, we intend to focus our marketing efforts on strengthening marketing and promotional strategies by (i) investing in marketing activities; and (ii) promoting our membership programme to retain customers and establish solid customer base.

We plan to concentrate our advertising and promotional efforts by adopting a multi-channel advertising strategy. In addition to displaying promotional materials at our stations, we intend to increase our advertising on social media. As taxi drivers and other public transit drivers are our targeted group of customers, we intend to organise marketing campaigns which specifically focus on attracting their support, such as sponsoring activities of taxi drivers’ union.


Furthermore, our Directors believe that our membership programme is an effective means to promote customers’ loyalty. As at the Latest Practicable Date, we had issued more than 45,000 membership cards. Depending on our customers’ location and their expected purchase, our members could enjoy discount on gas purchase. We plan to further enhance our membership system’s effectiveness by offering additional discounts to members. To attract more non-member customers to enrol for our membership, we intend to launch a marketing campaign which will offer additional discounts to newly enrolled customers for a specific period of time. We also intend to develop mobile apps that allow members to access account information and promotional information.

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Enhance our service quality

As vehicle natural gas is a relatively homogenous product, we believe that the differentiation of service quality and our safety track record are crucial to consolidating our market share. According to F&S, local vehicle gas end-users are more apt to patronise local well-established refuelling stations as those stations can usually provide safe and quality guaranteed service. We intend to further improve our customer experience by offering complimentary gifts, such as tissue, newspaper and bottle water, and renewing our facilities at our CNG refuelling stations. For example, we plan to install and/or refurbish the windshield cleaning tools at each station such that our customers could utilise their time spent at our stations.

OUR BUSINESS MODEL

We primarily engage in the sales of natural gas in the form of CNG to vehicle end-users by operating CNG refuelling stations in Jilin Province under the trademark of “” and the trade name of “眾誠連鎖”. Sales of CNG constituted approximately 87.2%, 92.0%, 92.8% and 92.6% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively, which reflected our increasing effort in expansion of CNG refuelling stations network in view of the support and promotion of CNG as vehicle fuel by the local government. During the Track Record Period and as at the Latest Practicable Date, we also sold LNG and LPG as vehicle fuel. Most of our sales were conducted at our refuelling stations with retail customers who are typically drivers of taxis, driving schools, and public buses. We also entered into wholesale transaction of CNG and LPG with some refuelling station operators and chemical manufacturers when they experienced temporary shortage in late 2016 and the first quarter of 2017. Nevertheless, wholesale sales of CNG and LPG only accounted for approximately 5.6% of our total revenue for the years ended 31 December 2016 and 0.6% for the three months ended 31 March 2017. Our Directors confirm that we did not actively solicit wholesale sales during the Track Record Period and have no intention to actively solicit wholesale sales since our refuelling station operation business was and will remain as our core business.

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Set forth below is a breakdown of our sales volume, revenue and percentage of revenue and type of sales by product type:

	For the years ended 31 December									Three months ended 31 March					
	2014			2015			2016			2016			2017		
	Sales Volume	Revenue	Percentage of revenue	Sales Volume	Revenue	Percentage of revenue	Sales Volume	Revenue	Percentage of revenue	Sales volume	Revenue	Percentage of revenue	Sales volume	Revenue	Percentage of revenue
	(million m ³)	(RMB'000)	(%)	(million m ³)	(RMB'000)	(%)	(million m ³)	(RMB'000)	(%)	(million m ³)	(RMB'000)	(%)	(million m ³)	(RMB'000)	(%)
CNG															
-Retail	51.5	219,532	87.2	65.6	268,824	92.0	71.4	244,304	89.0	18.9	65,260	93.9	15.0	51,790	92.6
-Wholesale	nil	nil	nil	nil	nil	nil	4.0	10,555	3.8	nil	nil	nil	nil	nil	nil
Sub-total	51.5	219,532	87.2	65.6	268,824	92.0	75.4	254,859	92.8	18.9	65,260	93.9	15.0	51,790	92.6
LPG	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)
-Retail	4,192	28,489	11.3	3,569	20,748	7.1	2,580	13,763	5.0	734	3,933	5.7	631	3,499	6.3
-Wholesale	nil	nil	nil	nil	nil	nil	1,413	4,721	1.7	nil	nil	nil	89	352	0.6
Sub-total	4,192	28,489	11.3	3,569	20,748	7.1	3,993	18,484	6.7	734	3,933	5.7	720	3,851	6.9
LNG	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)	(tonne)	(RMB'000)	(%)
	593	3,757	1.5	466	2,555	0.9	273	1,262	0.5	63	311	0.4	61	279	0.5
Total		251,778	100		292,127	100		274,605	100		69,504	100		55,920	100

We generated our revenue primarily from the distribution of natural gas in the form of CNG to retail vehicular end-users. For the year ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, we generated revenue from the sales of CNG of approximately RMB219.5 million, RMB268.8 million, RMB254.9 million and RMB51.8 million, respectively, representing approximately 87.2%, 92.0%, 92.8% and 92.6% of our total revenue for the corresponding periods. The increase in revenue for the year ended 31 December 2015 as compared with that in 2014 was mainly attributable to the effect of the increase in the total sales volume of our CNG, offset by a slight decrease in the average selling price of CNG. The decrease in revenue for the year ended 31 December 2016 as compared to that in 2015 was mainly caused by the decrease in average selling price of CNG, partially offset by the increase in the total sales volume of CNG. The decrease in revenue for the three months ended 31 March 2017 as compared to that in 2016 was mainly caused by a decrease in the sales volume of CNG as a result of (i) the decrease in the number of CNG stations from 22 as at 31 March 2016 to 20 as at 31 March 2017 and (ii) increased competition faced by certain refuelling stations located in Changchun City.

Due to the market trend of increased use of CNG in short distance vehicles such as local buses, taxis and private vehicles, we strategised to expand our CNG operation. According to the F&S Report, CNG is the most widely used natural gas fuel of vehicles in China due to its lower production and storage costs while the LNG refuelling market in China is still in the emerging stage due to its relatively high costs of processing, liquefaction and storage compared with CNG. On the other hand, LPG stations are now gradually closed and replaced by CNG stations. As such, during the Track

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Record Period, our revenue generated from LPG had decreased steadily and we generated a revenue of approximately RMB28.5 million, RMB20.7 million, RMB18.5 million and RMB3.9 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, we sold approximately 4,192 tonnes, 3,569 tonnes, 3,993 tonnes and 720 tonnes of LPG, respectively. The increase in sales volume of LPG for the year ended 31 December 2016 as compared with that in 2015 was due to ancillary business wholesale of LPG made during 2016. With respect to LNG, we generated from the sales of LNG a revenue of approximately RMB3.8 million, RMB2.6 million, RMB1.3 million, and RMB0.3 million, respectively, through the one mixed station located in Yanji Development Zone, Jilin Province for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively.


During the Track Record Period, most of our revenue were generated from retail customers, which represented approximately 100%, 100%, 94.4% and 99.4% of our revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Revenue generated from wholesale customers is ancillary in nature and only incurred in late 2016 and the first quarter of 2017.

As at the Latest Practicable Date, we operated a total of 19 CNG stations, five LPG stations and one mixed fuel (CNG-LNG) station in Jilin Province and Heilongjiang Province. Except for one CNG and one LPG station in Heilongjiang Province, all of our stations were situated in Jilin Province. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, retail sales generated in Jilin Province accounted for approximately 89.9%, 91.4%, 92.0% and 95.1% of our retail revenue in the respective years. We set forth below our revenue from gas refuelling stations and percentage of revenue by regions during the Track Record Period:

Region	For the years ended 31 December						For the three months ended 31 March			
	2014		2015		2016		2016		2017	
	Revenue	Percentage of retail revenue	Revenue	Percentage of retail revenue	Revenue	Percentage of retail revenue	Revenue	Percentage of retail revenue	Revenue	Percentage of retail revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Jilin										
Province	226,267	89.9	266,940	91.4	238,525	92.0	63,270	91.0	52,843	95.1
Heilongjiang										
Province	13,519	5.4	12,699	4.3	10,819	4.2	2,589	3.7	2,725	4.9
Liaoning										
Province	11,992	4.7	12,488	4.3	9,985	3.8	3,645	5.3	nil	nil
Total	251,778	100	292,127	100	259,329	100	69,504	100	55,568	100

As at the Latest Practicable Date, we owned the relevant licences to conduct CNG refuelling stations operation for 15 stations (including one mixed station with CNG and LNG for sales) whilst five CNG refuelling stations were operated pursuant to the entrustment agreements entered into with Changchun Yitonghe, a connected person of our Company, which was the licences holder to operate

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the relevant stations. In respect of other Entrusted Refuelling Stations entrusted to our Group for operation by Independent Third Parties during the Track Record Period, our Company was not the licences holder to operate the Entrusted Refuelling Stations at the material time. Please refer to the paragraph headed “Our refuelling station network — Entrusted Refuelling Stations” in this section and the section headed “Connected transactions — Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus. We obtained the licences to operate the remaining 15 stations by (i) obtaining the approval for construction of the station; and (ii) acquiring existing station together with the relevant licence to operate. We typically operate the stations we constructed or acquired under the trademark “” and trade name of “眾誠連鎖”. For our Jointly-owned Refuelling Stations, we operate under the trademark owned by the shareholder of Jilin Petroleum.

We provide refuelling services to our customers, a majority of whom are drivers of public transportation vehicles, such as taxi and buses, at our refuelling stations. The fuels dispensed at our stations were primarily procured from midstream suppliers pursuant to various gas supply framework agreements. We typically advise our suppliers of our expected demand for fuels in the upcoming week or month with reference to our sales performance at each station, and arrange for fuels to be delivered by our suppliers to our stations or to be transported to our stations by our sole logistics service provider, Jieli Logistics, a connected person of our Company.

The key operation processes of our refuelling stations business are (i) procurement of fuel; (ii) transportation of fuel from the suppliers or logistics service provider to our respective stations; (iii) pricing of fuel; (iv) sales at the stations; and (v) payment. We primarily manage our operation via a centralised computer system which could access the data gathered by the Transaction Recording Software installed at the control panels of our fuel dispensers at each station. As we place strong emphasis on maintaining safe operation of our stations, we also conduct regular check-ups of our stations’ major facilities and provide our employees with trainings.

OUR SALES MODEL

During the Track Record Period, most of our sales revenue was generated from retail customers who patronised our refuelling stations for our refuelling services. However, we have also recorded wholesale sales of CNG and LPG for the years ended 31 December 2016 and the three months ended 31 March 2017. The following table sets forth the revenue and percentage of revenue for our retail and wholesale sales for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017:

Type of sales	For the years ended 31 December						For the three months ended 31 March													
	2014			2015			2016			2017										
	Revenue (RMB'000)	Percentage of revenue	Gross profit margin (%)	Revenue (RMB'000)	Percentage of revenue	Gross profit margin (%)	Revenue (RMB'000)	Percentage of revenue	Gross profit margin (%)	Revenue (RMB'000)	Percentage of revenue	Gross profit margin (%)								
Retail	251,778	100	44,119	17.5	292,127	100	73,907	25.3	259,329	94.4	83,020	32.0	69,504	100	17,110	24.6	55,568	99.4	19,936	35.9
Wholesale	nil	nil	nil	nil	nil	nil	nil	nil	15,276	5.6	3,978	26.0	nil	nil	nil	nil	352	0.6	61	17.3
Total	251,778	100	44,119	17.5	292,127	100	73,907	25.3	274,605	100	86,998	31.7	69,504	100	17,110	24.6	55,920	100	19,997	35.8

Retail sales

Our retail sales are conducted at refuelling stations we operate and our targeted customers are vehicle owners who are typically the end-users of fuels purchased at our stations. More details of our operation process is set out in the paragraph headed “Refuelling stations operation” in this section.

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Revenue from retail sales remained as our major source of income during the Track Record Period, representing approximately 100%, 100%, 94.4% and 99.4% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Gross profit generated from retail sales amounted to approximately RMB44.1 million, RMB73.9 million, RMB83.0 million and RMB19.9 million, which contributed to approximately 100%, 100%, 95.4% and 99.7% of our total gross profit for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively.

Ancillary wholesale business

We engaged in ancillary wholesale business of CNG and LPG in 2016 and the first quarter of 2017 with some refuelling stations operators and chemical manufacturers when they experienced temporary shortage of CNG and LPG in late 2016 and the first quarter of 2017. CNG and LPG sold to stations operators could be resold by these wholesale customers to vehicular gas users while chemical manufacturers may use LPG procured from us as raw materials in their production. In view of our ability to procure sufficient CNG and LPG from major CNG and LPG suppliers under the gas supply framework agreements we entered into with the relevant suppliers and our good rapport with certain suppliers, these wholesale customers, one of which was also our suppliers, Customer A, approached us for wholesale purchase. In the case of Customer A, it supplied our Group with CNG in Longjing City in early 2016 and when faced with temporary shortage, it procured CNG from our Group members in Jilin City in late 2016. For the three months ended 31 March 2017, we entered into wholesale transactions with two customers, one of whom being a top five customer for the same period. For information about suppliers who were also our customers during the Track Record Period, please refer to the paragraph headed “Entities who are our customers and also our suppliers” in this section.

We consider our wholesale business as an ancillary service and a commercial relationship building process. We were not involved in any wholesale transaction in 2014 and 2015. Our Directors confirm that we did not actively solicit wholesale sales during the Track Record Period and have no intention to actively solicit wholesale sales since our refuelling station operation business was and will remain as our core business.

OUR PRODUCTS

At our refuelling stations, we sell three types of products, namely, CNG, LNG, and LPG, which are alternative fuel sources to traditional vehicle fuel such as gasoline and diesel. The products we sold at our stations were procured from midstream fuel suppliers with whom we typically entered into gas supply framework agreement for fuel supply. The salient features of the three kinds of fuels are set out below:

CNG

CNG is compressed natural gas. According to the F&S Report, CNG is the most widely used natural gas fuel of vehicles in China due to its lower cost to produce. As CNG is still in gas form, it occupies greater volume (*vis-a-vis* LNG), and owing to its lower reduction in volume, usage of CNG is more often found in short distance vehicles, such as local buses, taxis and private vehicles.

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LNG

LNG is liquefied natural gas. The LNG refuelling market in China is still in the emerging stage due to its relatively high cost to process, liquefy and store compared with CNG. Nevertheless, as LNG is experienced a greater compression into liquid hence occupying smaller volume than CNG, transportation of LNG in bulk is significantly easier than that of CNG. LNG could be converted back to its gas state when vapourised to become CNG.

LPG

LPG is liquefied petroleum gas. LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances. Due to the gas safety concern and along with the development of natural gas distribution network and natural gas technologies, LPG is gradually replaced by natural gas.

The table below sets out our average unit price and gross profit margin for each of the products by sales type for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively:

Type of sales	For the years ended 31 December						For the three months ended 31 March			
	2014		2015		2016		2016		2017	
	Average price (RMB/unit)	Gross profit margin (%)	Average price (RMB/unit)	Gross profit margin (%)	Average price (RMB/unit)	Gross profit margin (%)	Average selling price/unit ⁽¹⁾ (RMB/unit)	Gross profit margin (%)	Average selling price/unit ⁽¹⁾ (RMB/unit)	Gross profit margin (%)
Retail										
CNG (m ³)	4.3	18.6	4.1	25.9	3.4	32.6	3.5	24.9	3.5	36.6
LPG (tonne)	6,796	8.8	5,813	17.4	5,334	21.1	5,358	19.7	5,545	25.4
LNG (tonne)	6,336	18.4	5,483	30.7	4,623	40.9	4,937	30.2	4,574	33.3
Sub-total		17.5		25.3		32.0		24.6		35.9
Wholesale										
CNG (m ³)	nil	nil	nil	nil	2.6	27.6	nil	nil	nil	nil
LPG (tonne)	nil	nil	nil	nil	3,341	22.5	nil	nil	3,955	17.3
Sub-total		nil		nil		26.0		nil		17.3
Total		17.5		25.3		31.7		24.6		35.8

Note (1): Average selling price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the respective period.

During the three years ended 31 December 2016, the average retail selling price of CNG, LPG and LNG experienced a decreasing trend. The average retail selling price of CNG recorded a

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year-on-year decrease of approximately 4.7% from RMB4.3/m³ in 2014 to RMB4.1/m³ in 2015, and a further year-on-year decrease of approximately 17.1% from RMB4.1/m³ to RMB3.4/m³. During the same period, the average retail selling price of LNG recorded a year-on-year decrease of approximately 13.5% from RMB6,336/tonne in 2014 to RMB5,483/tonne in 2015, and a further year-on-year decrease of approximately 15.7% from RMB5,483/tonne to RMB4,623/tonne in 2016. The average retail selling price for our products, apart from LNG, remained relatively stable for the three months ended 31 March 2017 as compared to the average selling price of our products for the three months ended 31 March 2016. The average selling price of LNG decreased from approximately RMB4,937 per tonne for the three months ended 31 March 2016 to RMB4,574 per tonne for the three months ended 31 March 2017, primarily due to the increase in competition from other gas refuelling stations, driving down the average selling price in order to increase the sales of LNG.

As CNG and LNG are natural gas, they are affected by similar factors. The decrease in our retail selling price of CNG was attributable to the decrease in the average selling price of CNG and LNG in Jilin Province in 2016 which was due to (i) increased supply of natural gas in Northeast China as a result of the completion of Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線) in 2015 and (ii) decreased upper stream gas price induced by the downward adjustment of Urban Gate Station Price set by NDRC in November 2015 which reflected the downward trend of international crude oil price. We procure CNG from midstream CNG suppliers. As the midstream suppliers of natural gas typically take into account of their purchase price of natural gas, which typically reflects the trend of the changes in the Urban Gate Station Price, our purchase price of CNG is also indirectly affected by the Urban Gate Station Price as and when the midstream suppliers of CNG shift their cost to us and other down stream suppliers/retails operators. As such, our retail selling price also decreased.

The retail selling price of LPG also experienced a drop for the three years ended 31 December 2016. As LPG is a by-product of petroleum, its price generally reflects the trend of international crude oil price, which generally went downward from the second half of 2014 to early 2016. As such, average retail selling price of LPG decreased from approximately RMB6,796/tonne to RMB5,813/tonne from 2014 to 2015, representing a year-to-year decrease of approximately 14.5% whilst the year-to-year decrease in average selling price of LPG from 2015 to 2016 was approximately 8.2% from RMB5,813/tonne to RMB5,334/tonne.

In spite of the decrease in our average retail selling prices for CNG, LPG and LNG, their gross profit margin of retail sales experienced an overall increase from approximately 17.5% in 2014 to 25.3% in 2015 and a further increase to 32.0% in 2016. Such increase in gross profit margin reflects the circumstances where our purchase price for CNG decreased at a faster pace than the downward adjustment in retail selling price at our gas refuelling stations. The purchase price and retail selling price at our gas refuelling stations are affected by a range of factors which we have limited control. For details, please refer the sections headed “Risk factors — Risk relating to our business and industry — Our gross profit margin and growth in profit may fluctuate in the future as our purchase price and selling price of CNG are sensitive to factors beyond our control” and “Financial information — Significant factors affecting our results of operations and financial condition” in this prospectus.

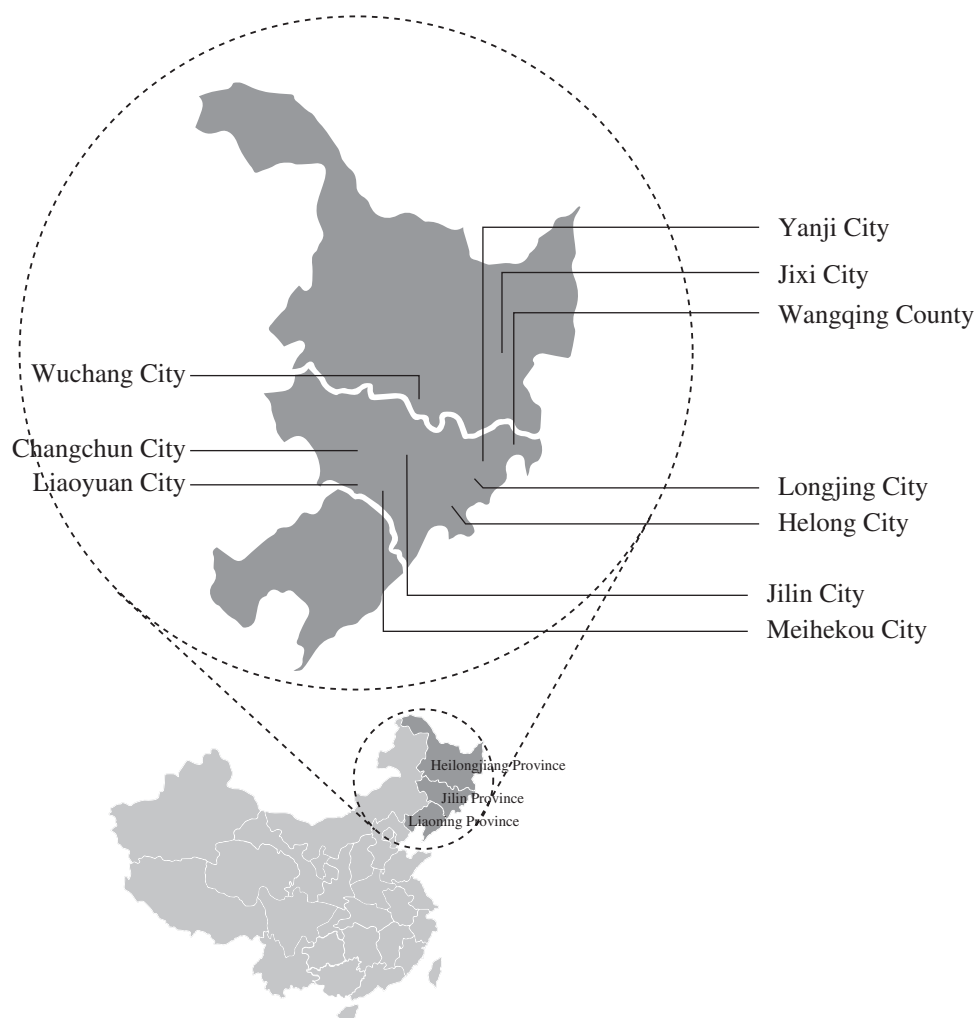
During the year ended 31 December 2016 and the three months ended 31 March 2017, our Group was involved in ancillary wholesale business, which generated approximately 5.6% and 0.6% of our total revenue for the respective periods. The average selling price of wholesale gases was lower than

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that of retail sales as lower price was offered to our wholesale transaction customers in view of the bulk purchase. As the gross profit margin for the sporadic and contingent wholesale transactions only reflected the purchase price and selling price of the gases in winter when the wholesale customers experienced shortage in procuring gases in late 2016 and in the first quarter of 2017, and as the terms of sales for wholesale transaction were negotiated on a case-by-case basis, the trend of the average selling price and gross profit margins for wholesale transactions and retail sales may not necessarily mirror each other.

Our refuelling station network

As at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017, we operated a total of 24, 27, 25, 27 and 25 refuelling stations in Northeast China, respectively, of which 19, 22, 20, 22 and 20 were CNG stations (inclusive of one mixed fuel station with sales of CNG and LNG). As at the Latest Practicable Date, we operated a total of 25 refuelling stations, including 19 CNG Stations, one station was mixed fuel (CNG-LNG) station and five LPG stations. As at the Latest Practicable Date, save for one CNG station and one LPG station located in Heilongjiang Province, all of our stations were situated in Jilin Province. The following map and table set forth the location of and product offer at our refuelling stations as at the Latest Practicable Date:



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City, Province	CNG	LPG	Mixed (LNG and CNG)	Total number of stations
Changchun City, Jilin Province	11	0	0	11
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	2	0	0	2
Helong City, Jilin Province	0	1	0	1
Longjing City, Jilin Province	1	1	0	2
Yanji City, Jilin Province	1	1	1	3
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	18	4	1	23
Wuchang City, Heilongjiang Province	0	1	0	1
Jixi City, Heilongjiang Province	1	0	0	1
Total station(s) in Heilongjiang Province	1	1	0	2
Total:	19	5	1	25

Amongst the 25 stations we operated as at the Latest Practicable Date, 14 were Self-owned Refuelling Stations, six were Jointly-owned Refuelling Stations, and five were Yitonghe Entrusted Refuelling Stations. All Jointly-owned Refuelling Stations and Yitonghe Entrusted Refuelling Stations are CNG refuelling stations. All of these stations' gas dispensers were installed with the same software and our Directors confirm that the daily operation process at these stations are not materially different from one another's.

The number of Self-owned Refuelling Stations, Jointly-owned Refuelling Stations and Entrusted Refuelling Stations during the Track Record Period is set forth below:

	As at 31 December			As at 31 March		As at the Latest Practicable Date
	2014	2015	2016	2016	2017	
Self-owned Refuelling Stations	11	13	14	13	14	14
Jointly-owned Refuelling Stations	5	5	6	5	6	6
Entrusted Refuelling Stations						
• by Changchun Yitonghe	6	6	5	6	5	5
• by Independent Third Parties	2	3	0	3	0	0
Total Entrusted Refuelling Stations	8	9	5	9	5	5
Total:	24	27	25	27	25	25

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During the Track Record Period, the total number of our stations was relatively stable. For Self-owned Refuelling Stations, two new stations, namely Jixi Station and Liaoyuan Park Station, were officially put into operations in June 2015 and January 2015, respectively. Meihe Yujia Station (梅河譽嘉站), one of our Entrusted Refuelling Stations entrusted to us by an Independent Third Party incorporated in the PRC in December 2011 and mainly engaging in the business of sales of natural gas in 2014 and 2015, was acquired by us and became a Self-owned Refuelling Station in December 2016. Furthermore, one of the Yitonghe Entrusted Refuelling Stations, namely Yitonghe Benchi Station, ceased operation and was subsequently operated as a Jointly-owned Refuelling Station under our Group.

Our Group commenced the operation of two Entrusted Refuelling Stations, Jida Station (吉達站) and Qingyuan Fuyuan Station (清原撫原站), pursuant to entrustment agreements entered into with Changchun Yitonghe and an Independent Third Party, in June and July 2015 respectively. The entrustment of Jida Station (吉達站) reflected Changchun Yitonghe's intention to centralise the operation and management of its gas refuelling station business. As such, the number of Entrusted Refuelling Stations increased from eight in 2014 to 10 in 2015. Nevertheless, in 2016, the number of Entrusted Refuelling Stations fell from 10 to 5 as a result of (i) Meihe Yujia Station (梅河譽嘉站) becoming a Self-owned Station in December 2016 upon acquisition of its interests; (ii) Yitonghe Benchi Station was deregistered in November 2016; (iii) the cessation of the entrustment agreements entered into with Independent Third Parties in respect of Qingyuan Fuyuan Station (清原撫原站) and Tai'an Yuda Station (台安譽達站) in November 2016 due to sales performance which fell short of our previous expectation and difficulties experienced in effective management attributable to the distant location of Tai'an Station, respectively; and (iv) the cessation of gas refuelling station operation of Yitonghe Lingdong Station (伊通河嶺東站) in December 2016 owing to tightening regional licensing requirements for the station. For further details of Yitonghe Lingdong Station (伊通河嶺東站), please refer to the section headed "Relationship with our Controlling Shareholders — Business of Yitonghe Group — Companies and refuelling stations which were permitted to engage and/or had previously engaged in the Gas Refuelling Business" in this prospectus. Our Directors confirm that the decrease in the number of Entrusted Refuelling Stations in 2016 was not related to any material non-compliance incidents or outstanding claims or liabilities.

Self-owned Refuelling Stations

We are the sole shareholder of each of our Self-owned Refuelling Stations. While the land on which our Self-owned Refuelling Stations operate are either self-owned or leased from third parties,

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we hold the relevant licences or approvals to operate these stations. All of the Self-owned Refuelling Stations are operated under the trademark of “” and the trade name of “眾誠連鎖” as at the Latest Practicable Date. According to our PRC Legal Adviser, the lands on which our Self-owned Refuelling Stations operate do not have any defective title of material nature.

We set out below the name, location and product offering of our Self-owned Refuelling Stations as at the Latest Practicable Date:

	Name of station	Location	Product offering
1.	Dongkun Station (東昆站)	Changchun City, Jilin Province	CNG
2.	Longhe Station (龍和站)	Longjing City, Jilin Province	CNG
3.	Longjing Station (龍井站)	Longjing City, Jilin Province	LPG
4.	Wangqing Station (汪清站)	Wangqing City, Jilin Province	LPG
5.	Yanji Public Transportation Station (延吉公交加氣站)	Yanji City, Jilin Province	LPG
6.	Yanji Juzijie Station (延吉局子街站)	Yanji City, Jilin Province	CNG
7.	Yanji Development Zone Station (延吉開發區站)	Yanji City, Jilin Province	CNG, LNG
8.	Liaoyuan Longyuan Terminal Station (遼源龍源客運站)	Liaoyuan City, Jilin Province	CNG
9.	Liaoyuan Park Station (遼源公園站)	Liaoyuan City, Jilin Province	CNG
10.	Helong Station (和龍站)	Helong City, Jilin Province	LPG
11.	Meihe Yujia Station (梅河譽嘉站)	Meihekou City, Jilin Province	CNG
12.	Wuchang Station (五常站)	Wuchang City, Heilongjiang Province	LPG
13.	Jixi Station (雞西站)	Jixi City, Heilongjiang Province	CNG
14.	Jingyue Station (淨月站)	Changchun City, Jilin Province	CNG

Jointly-owned Refuelling Stations

We owned 51% of the shareholding of the Jointly-owned Refuelling Stations. We acquired our interests in the Jointly-owned Refuelling Stations by acquiring the entire equity interests of Changchun Sinogas, through acquiring 100% equity interests of China Source BVI, and 51% equity interests of Jilin Clean Energy. For details of the background of the acquisition, please refer to the section headed “History, reorganisation and development” in this prospectus.

We hold the relevant licences or approvals to operate these stations and we are responsible for managing the day-to-day operation of the Jointly-owned Refuelling Stations. As Jilin Petroleum continues to own 49% of the Jointly-owned Refuelling Stations, we continued to operate the Jointly-owned Refuelling Stations under the trademark owned by the shareholder of Jilin Petroleum. We and Jilin Petroleum are entitled to 51% and 49% of the total profit generated from our operation of the Jointly-owned Refuelling Stations, respectively.

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We set out below the name, location and product offering of our Jointly-owned Refuelling Stations as at the Latest Practicable Date:

	Name of station	Location	Product offering
1.	Changchun Road Station (長春路站)	Jilin City, Jilin Province	CNG
2.	Jiefangbei Station (解放北站)	Jilin City, Jilin Province	CNG
3.	Puyang Station (普陽站)	Changchun City, Jilin Province	CNG
4.	Southeast Lake Station (東南湖站)	Changchun City, Jilin Province	CNG
5.	Guigu Station (硅谷站)	Changchun City, Jilin Province	CNG
6.	Benchi Station (奔馳站)	Changchun City, Jilin Province	CNG

Entrusted Refuelling Stations


According to Frost & Sullivan, operation of gas refuelling station under entrustment agreements are commonly seen in China's gas refuelling station industry whereby owners of the licences and equipment of a refuelling station enter into agreements with station operator to entrust the management of the relevant station in return for an entrustment fee. As at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017 and the Latest Practicable Date, we operated eight, nine, five, nine, five and five Entrusted Refuelling Stations, respectively. Amongst the then Entrusted Refuelling Stations, two, three, nil, three, nil and nil stations were entrusted to us by Independent Third Parties. We operated the five Entrusted Refuelling Stations as at the Latest Practicable Date pursuant to five individual entrustment agreements entered into with Changchun Yitonghe. Two of the five Entrusted Refuelling Stations, namely Yitonghe Station (伊通河站) and Jixing Station (吉興站), situated on premises under tenancy agreements entered into between Changchun Yitonghe and the respective landlords. We set out below the name, location and product offering of the Yitonghe Entrusted Refuelling Stations as at the Latest Practicable Date:

	Name of station	Location	Product offering
1.	Yitonghe Station (伊通河站)	Changchun City, Jilin Province	CNG
2.	Jida Station (吉達站)	Changchun City, Jilin Province	CNG
3.	Jixing Station (吉興站)	Changchun City, Jilin Province	CNG
4.	Shuangxing Station (雙星站)	Changchun City, Jilin Province	CNG
5.	Pingan Station (平安站)	Changchun City, Jilin Province	CNG

The entrustment agreements in respect of the Yitonghe Entrusted Refuelling Stations were entered into between Changchun Yitonghe and Longjing Untied Strength in 2013 in view of Changchun Yitonghe's business development strategy adopted in 2013 to centralise the gas refuelling station related business and its management so as to better capture the growing business opportunities of CNG refuelling station market. Yitonghe Entrusted Refuelling Stations were mixed-fuel stations where provision of refuelling service of gasoline and CNG are available. When Yitonghe Entrusted Refuelling Stations were first planned for construction and obtaining the relevant licences, Changchun

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Yitonghe was the sole applicant for their respective licences, which are licences for the operation of mixed-fuel stations. In light of the complicated administrative steps required to be taken and the uncertainties involved in obtaining the relevant authorities' approval for issuing segregated licences for each of the operation of gas refuelling station and petroleum refuelling station, our Group entered into the entrustment agreements to achieve the goal of centralising the gas refuelling station related business and its management. For details of the administrative steps, expected processing time and uncertainties involved in the segregation of licenses, please refer to the section headed "Connected transactions — Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business" in this prospectus.

Our Group, via Changchun Sinogas, has entered into the Gas Business Entrustment Agreement to replace the aforementioned entrustment agreements. Under the Gas Business Entrustment Agreement, our Group will be entitled to operate and manage the Yitonghe Entrusted Refuelling Stations under the trademark of “” and the trade name of “眾誠連鎖” and use all assets, land use right and equipment necessary for such operation and management. Our Group pays a fixed annual entrustment fee of RMB1.3 million, which may be reviewed and adjusted for every three years, subject to a maximum fluctuation range of 10%. The amount of entrustment fee was determined with reference to (i) the historical average daily sales volume of the Gas Refuelling Business at the station; (ii) the expected sales volume of the Gas Refuelling Business at the station; and (iii) the existing market entrustment fee for such business as reflected by market research conducted by our management team. The Gas Business Entrustment Agreement can be terminated if, among other factors, any of the parties thereto commit any material or continued breaches. In particular, in respect of two of the five Yitonghe Entrusted Refuelling Stations situated on leased premises, namely Yitonghe Station (伊通河站) and Jixing Station (吉興站), if Changchun Yitonghe is unable to renew the relevant lease agreements or if the lease agreements are terminated, Changchun Yitonghe would have breached its warrant that our Group is entitled to use such premises continuously during the term of the Gas Business Entrustment Agreement and the Gas Business Entrustment Agreement may be terminated. For details of the Gas Business Entrustment Agreement, please refer to the section headed "Connected transactions — Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business" in this prospectus.

In respect of Meihe Yujia Station, Qingyuan Fuyuan Station and Tai'an Yuda Station, the entrustment arrangements were entered into with Independent Third Parties for the purpose of and as an attempt to expanding our Group's then existing gas refuelling station network efficiently without going through the prolonged application processes for the various approvals required for construction of a new gas refuelling station. To the best knowledge of our Directors, the owners of Qingyuan Fuyuan Station and Tai'an Yuda Stations entered into the entrustment arrangement with our Group due to (i) the ability to secure a fixed income from the entrustment fee and (ii) the self-operation of Qingyuan Fuyuan Station was not as satisfactory as its owner first expected. In the case of Meihe Yujia Station, given that the entrustment fee was determined by the net profit generated from the refuelling station operation, the entrusting party of Meihe Yujia Station may be benefited from our Group's bargaining power on CNG procurement and may leverage on our Group's reputation to improve the sales performance. The Independent Third Parties are enterprises incorporated in the PRC which engage in, amongst others, retail sales of natural gas. Similar to the entrustment arrangements with Yitonghe Entrusted Refuelling Stations, the entrusting parties of the entrustment arrangements with the Independent Third Parties were the owners of the licences and facilities of the relevant refuelling stations whilst our Group was entitled to operate the refuelling stations for an agreed entrustment fee.

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The annual entrustment fees were set out in the entrustment agreements. For Meihe Yujia Station, the annual entrustment fee was 66.6% of the net profit (excluding the entrustment fee itself) generated from the refuelling station operation of the relevant year. As Meihe Yujia Station was loss-making during the two years ended 31 December 2015, annual entrustment fee was only incurred during the year ended 31 December 2016, which amounted to approximately RMB223,000. For Qingyuan Fuyuan Station and Tai'an Yuda Station, the annual entrustment fee during the Track Record Period were RMB1,100,000 and RMB300,000, respectively. The terms of those entrustment agreements ranged from 10 to 15 years. Other than proper management of the station and payment of the entrustment fees, our Group's primary day-to-day obligations under the entrustment agreements were to maintain the facilities at the relevant stations.

The following table sets out (i) the respective retail revenue and sales volume contribution of each of the stations in operation; (ii) the total retail revenue generated from each type of stations; (iii) the percentage of total retail revenue generated from each station and each type of stations; and (iv) the average selling price/unit of each of the stations during the Track Record Period:

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Three months ended 31 March
2017

Station	Operation Model	Product ⁽¹⁾	Percentage of			Average selling price		Gross Profit	Operating Profit/ (Loss) ⁽⁸⁾	Location	
			Revenue	Revenue	Sales Volume	RMB	RMB			Province	City
			RMB '000	%		RMB	RMB '000	RMB '000			
Dongkun Station ⁽²⁾	Self-owned	CNG	3,935	7.1%	1,368,965	2.87	1,219	733	Jilin	Changchun	
Jingyue Station	Self-owned	CNG	2,040	3.7%	689,081	2.96	660	376	Jilin	Changchun	
Longhe Station	Self-owned	CNG	1,140	2.1%	265,815	4.29	567	374	Jilin	Longjing	
Yanji Juzijie Station	Self-owned	CNG	10,185	18.3%	2,211,493	4.61	4,970	4,253	Jilin	Yanji	
Yanji Development Zone Station	Self-owned	CNG	6,316	11.4%	1,371,420	4.61	3,071	2,514	Jilin	Yanji	
Liaoyuan Park Station	Self-owned	CNG	1,959	3.5%	631,823	3.10	439	89	Jilin	Liaoyuan	
Liaoyuan Longyuan Terminal Station	Self-owned	CNG	490	0.9%	156,357	3.13	115	(53)	Jilin	Liaoyuan	
Jixi Station	Self-owned	CNG	713	1.3%	203,653	3.50	254	(272)	Heilongjiang	Jixi	
Dongkun Station ⁽²⁾	Self-owned	LPG	—	—	—	N/A	—	—	Jilin	Changchun	
Longjing Station	Self-owned	LPG	117	0.2%	25	4,608.29	40	(230)	Jilin	Longjing	
Wangqing Station	Self-owned	LPG	746	1.3%	115	6,467.61	309	192	Jilin	Wangqing	
Helong Station	Self-owned	LPG	567	1.0%	88	6,468.39	236	88	Jilin	Helong	
Yanji Public Transportation Station	Self-owned	LPG	57	0.1%	9	6,491.29	25	(67)	Jilin	Yanji	
Wuchang Station	Self-owned	LPG	2,012	3.6%	394	5,102.39	277	195	Heilongjiang	Wuchang	
Yanji Development Zone Station	Self-owned	LNG	279	0.5%	61	4,562.48	93	93	Jilin	Yanji	
Meihe Yujia Station ⁽⁵⁾	Self-owned	CNG	1,545	2.8%	443,400	3.48	395	53	Jilin	Meihekou	
Sub-total			32,101	57.8%			12,670	8,338			
Benchi Station ⁽³⁾	Jointly-owned	CNG	1,601	2.9%	547,965	2.92	462	264	Jilin	Changchun	
Southeast Lake Station	Jointly-owned	CNG	2,540	4.6%	831,566	3.05	813	601	Jilin	Changchun	
Guigu Station	Jointly-owned	CNG	3,043	5.5%	1,096,965	2.77	765	514	Jilin	Changchun	
Puyang Station	Jointly-owned	CNG	2,273	4.1%	797,139	2.85	615	285	Jilin	Changchun	
Jiefangbei Station	Jointly-owned	CNG	1,669	3.0%	476,826	3.50	586	391	Jilin	Jilin	
Changchun Road Station	Jointly-owned	CNG	2,364	4.3%	689,490	3.43	792	580	Jilin	Jilin	
Sub-total			13,490	24.3%			4,033	2,635			
Benchi Station ⁽³⁾	Entrusted	CNG	—	—	—	N/A	—	—	Jilin	Changchun	
Jida Station	Entrusted	CNG	1,555	2.8%	541,378	2.87	451	368	Jilin	Changchun	
Jixing Station	Entrusted	CNG	1,232	2.2%	432,098	2.85	351	273	Jilin	Changchun	
Lingdong Station ⁽⁴⁾	Entrusted	CNG	—	—	—	N/A	—	—	Jilin	Changchun	
Pingan Station	Entrusted	CNG	2,220	4.0%	764,753	2.90	660	535	Jilin	Changchun	
Shuangxing Station	Entrusted	CNG	1,955	3.5%	458,102	4.27	1,022	893	Jilin	Changchun	
Yitonghe Station	Entrusted	CNG	3,015	5.4%	1,067,167	2.83	749	609	Jilin	Changchun	
Meihe Yujia Station ⁽⁵⁾	Entrusted	CNG	—	—	—	N/A	—	—	Jilin	Meihekou	
Tai'an Yuda Station ⁽⁶⁾	Entrusted	CNG	—	—	—	N/A	—	—	Liaoning	Tai'an	
Qingyuan Fuyuan Station ⁽⁷⁾	Entrusted	CNG	—	—	—	N/A	—	—	Liaoning	Qingyuan	
Sub-total			9,977	18.0%			3,233	2,678			
Total			55,568	100%			19,936	13,651			

Note:

1. The measurement unit of sale volume for CNG, LPG and LNG is cubic metre, tonne and tonne respectively.

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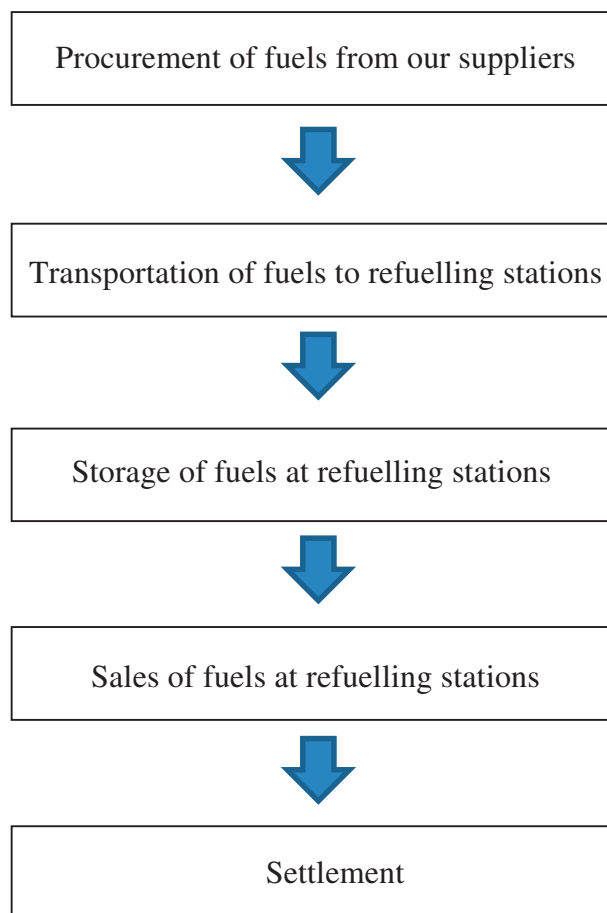
2. Dongkun Station offered CNG and LPG during the years ended 31 December 2014 and 2015 but was a CNG station for the year ended 31 December 2016 and as at the Latest Practicable Date.
3. Benchi Station was an Entrusted Refuelling Station which situated on the premises leased to Changchun Yitonghe by Yiqi Logistics Limited for a term of 5 years from July 2011. Upon expiry of the lease in June 2016, the lease was not renewed by Changchun Yitonghe and our Group did not continue to operate Benchi Station under the entrustment arrangement. Subsequently, Benchi Station became a Jointly-owned Refuelling Station.
4. As a result of the tightened regional licensing requirement issued in 2014, the equipment used for the gas refuelling station operation of Lingdong Station was removed due to the stringent requirement for safety distance between the gas offloading columns and other facilities such as storage cylinders. Therefore, Lingdong Station ceased its gas refuelling station operation in 2015.
5. Meihe Yujia Station was an Entrusted Refuelling Station for the years ended 31 December 2014 and 2015, which was entrusted to us by an Independent Third Party incorporated in the PRC in December 2011 and mainly engaging in the business of sales of natural gas. It was acquired by Changchun Sinogas and became a Self-owned Refuelling Station effective from 28 December 2016.
6. Tai'an Yuda Station was an Entrusted Refuelling Station situated in a relatively remote county in Liaoning Province entrusted to us by an Independent Third Party which is a sole proprietorship enterprise established in the PRC in March 2004 and engaging in the business of retail sales of petroleum, diesel, lubricating oil and operation of vehicle refuelling (gasoline and natural gas) stations. It ceased operation since December 2016 due to the difficulties experienced in effective and efficient management from our Group attributable to its distance from the relatively developed urban areas. Our Directors confirm that the refuelling station is currently operated by the entrusting party of Tai'an Yuda Station, which is an Independent Third Party.
7. Qingyuan Fuyuan Station was an Entrusted Refuelling Station entrusted to us by an Independent Third Party established in the PRC in July 2001 and engaging in the business of retail sales of refined oil and provision of natural gas refuelling service, which ceased operation since December 2016 due to its sales performance falling short of our previous expectation. Our Directors confirm that the refuelling station is currently owned and operated by an Independent Third Party.
8. Based on the management accounts of our Group's individual gas refuelling stations for each of the financial year during the Track Record Period, the gross profit of each station was calculated by deducting their respective cost of goods sold (comprising mainly the purchase price of materials) from their respective gross revenue, and the operating profit/(loss) of each station was calculated by further deducting (i) staff costs; (ii) depreciation and amortization charges; (iii) operating leases expenses; and (iv) other operating expenses (being entrustment fee expenses, if applicable) that were incurred by and could be allocated to specific gas refuelling stations.

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During the Track Record Period, the sales performance of different gas stations varied, which was attributable to factors such as (i) the level of competition at the vicinity of a station; (ii) the level of marketing initiatives, including discounts offered to members and/or pre-paid customers; and (iii) the procurement cost, which includes transportation costs, of the fuels.

REFUELLING STATIONS OPERATION

Despite the different composition and properties of the fuels we sell, the operation of our CNG, LNG and LPG refuelling stations is relatively similar. Our operation of refuelling stations involves the following key processes: (1) procurement of fuels from our suppliers, (2) transportation of fuels to refuelling stations, (3) storage of fuels at refuelling stations, (4) sales of fuels at refuelling stations and (5) settlement.



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1. Procurement of fuels from our suppliers

We primarily procured CNG, LNG and LPG from a range of selected fuel suppliers. Our senior management personnel is responsible for collecting and updating the information of gas suppliers in the vicinity of our refuelling stations by conducting market research and seeking quotations from these suppliers. As our Group was one of the leading vehicle natural gas refuelling station operators in Jilin Province, our purchase volume was generally more sizable than that of smaller-sized operators, which served as incentives for gas suppliers to enter into business relationship with us. Our payment record and credibility also allowed us to promote amicable and stable relationship with our suppliers. During the Track Record Period, we procured gases from suppliers with whom we had multiple years of business relationship. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any difficulty in procuring new suppliers.

To ensure the quality of the fuels we sell, we typically require our suppliers to provide gas quality test reports issued by third parties. To secure a stable and sufficient fuel supply for our operation, we typically enter into annual gas supply framework agreements with our suppliers, which is an industry norm according to F&S. These framework agreements generally set out the pricing mechanism, procurement, delivery and payment arrangements and we are required to notify our suppliers of our expected demands for fuels in advance under most of our gas supply framework agreements, which assist our suppliers to allocate sufficient fuels to accommodate to our demand. The key aspects of our typical agreements are set forth below:

Products:	CNG/LNG/LPG
Product requirements:	National CNG/LNG/LPG standard of the PRC, as substantiated by quality reports prepared by the suppliers or its raw material suppliers
Terms:	One year
Price:	The unit price of CNG/LNG/LPG is generally fixed with reference to market price as at the date of purchase and subject to adjustments to any relevant government pricing policies
Delivery:	Pick up by us or our gas transportation service provider, or delivery by suppliers
Measurement:	Quantity of purchase is recorded by measurement tools as mutually agreed
Pre-order:	We are required to notify the suppliers in advance of the estimated upcoming demand for fuel
Payment:	We are required to prepay for the estimated quantity of fuel to be ordered. Excess of the prepaid amount can be carried forward to our account and applied for future payment
Termination:	Upon breach of either party's contractual obligations

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As advised by our PRC Legal Adviser, the framework agreements we entered into with our suppliers are legally binding. Our Directors confirm that there had not been any material breaches of the above long-term gas supply framework agreements during the Track Record Period.

Our operation department is responsible for monitoring our sales and inventory level at each refuelling station daily so as to provide an estimate on the amount of fuels to be required and formulate fuel procurement plans on weekly basis. We then notify our suppliers and Jieli Logistics, our sole gas transportation service provider, of the estimated pick up amount or purchase amount (in case the suppliers are responsible for delivery of fuel) and time. The actual procurement orders are made after our operating staff from the respective station confirm the actual demand for fuels with reference to actual sales performance. Depending on the fuel storage capacity and the location and traffic flow of each station, we may procure fuel multiple times per day or once in a few days.

In the event that actual sales volume differs from the estimated sales volume, we would contact our suppliers and Jieli Logistics to re-schedule the upcoming delivery. For example, if actual sales exceeds estimated sales and our gas available for sales runs low at a station, we can arrange Jieli Logistics to pick up additional gas from gas suppliers which have confirmed availability of supply.

During the Track Record Period, some of our operating subsidiaries procured natural gas individually from the suppliers and entered into procurement framework agreements with the suppliers. In order to achieve economies of scale, we intend to further centralise procurement arrangements by entering into gas supply framework agreements with the suppliers via Changchun Sinogas.

2. Transportation of fuels to refuelling stations

Taking into consideration of the terms of the gas supply framework agreements and comparative transportation cost charged by the suppliers, the fuels ordered are delivered to our refuelling stations either by our fuel suppliers or by Jieli Logistics through specialised cylinders on transportation trucks. When the fuels arrive at the designated delivery location, our staff issues and signs on the delivery note. For ad-hoc purchase and delivery when our actual sales exceeds estimated sales, it typically takes 30 minutes (for urban stations) to 48 hours (for suburb stations) from ordering the fuels to receiving the same at the refuelling stations. Our Directors confirm that our Group did not experience any material delay in delivery of fuels during the Track Record Period.

During the Track Record Period, to ensure safe and reliable transportation of fuels, we entered into annual service agreements with Jieli Logistics for the provision of fuel transportation services. The price of the transportation is measured by actual unit incurred by the service provider and the unit price is determined with reference to market price. Jieli Logistics is responsible for recording the total amount of service provided and issuing the monthly statement. Upon checking that the amount of gas procured and transportation service obtained from Jieli Logistics are consistent with our record, we arrange for payment to Jieli Logistics. We typically settle our transportation fee incurred by Jieli Logistics by bank transfer on monthly basis. For the years ended 31 December 2014, 2015, and 2016 and the three months ended 31 March 2016 and 2017, we incurred approximately RMB21.3 million, RMB21.1 million, RMB20.0 million, RMB6.6 million and RMB1.6 million, respectively for logistics

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services provided by Jieli Logistics. The year-on-year decrease in the transportation fee for Jieli Logistics for the three months ended 31 March 2017 was primarily attributable to our effort to reduce reliance on Jieli Logistics and our procurement of gas from suppliers which also offer gas delivery service.

Jieli Logistics is a connected person of our Company and the engagement of Jieli Logistics is a connected transaction under the Listing Rules. Our Directors confirm that during the Track Record Period, Jieli Logistics provided the gas transportation services to our Group at market rates. The provision of gas transportation services by Jieli Logistics to our Group will continue after the Listing Date pursuant to the Transportation Services Agreement, thereby constituting continuing connected transaction of our Company under the Listing Rules. For details of the Transportation Services Agreement, please refer to the section headed “Connected transactions — Non-exempted continuing connected transactions — 1. Transportation services provided to our Group” in this prospectus.

As a measure to reduce the future transportation service fee (and hence the transaction amount for the relevant continuing connected transaction and our Group’s reliance on services from connected persons) to be incurred by our Group, our Group entered into the Master Acquisition Agreement with Jieli Logistics, pursuant to which Jieli Logistics agreed to sell gas transportation vehicles to our Group during the term of the agreement in tranches to avoid suspension or interruption related to the administrative procedures involved in the transfer of titles, such that our Group shall support its own demand for fuel transportation service in a cost-efficient manner. For further information regarding the acquisition, please refer to the section headed “Connected transactions — Non-exempted continuing connected transactions — 2. Acquisition of gas transportation vehicles” in this prospectus.

3. Storage of fuels at refuelling stations

Depending on the type of fuels sold at our gas refuelling station, the equipment and facilities for storage of fuels in our refuelling stations differ. At CNG stations, CNG is typically stored in the storage cylinder (儲氣瓶組) and gas well (儲氣井) depending on the location and set-up of the stations. Whilst tank insulation (保溫罐) is typically used for storage of LNG, LPG is typically stored at storage cylinder (儲氣罐). Different station may have different storage capacity. When the fuels arrive at our refuelling stations, our staff will off-load the fuels cylinder at a designated area in the station until the gas in the cylinder or gas well currently supplying gas to the dispenser is depleted and record the amount of fuels off-loaded. Such records allow us to cross check the total amount of raw material and transportation services procured with the records maintained by our suppliers. To secure a smooth and safe off-loading process and proper record keeping, we have issued a policy regarding fuels off-loading for our staff.

4. Sales of fuels at refuelling stations

When a customer arrives at our gas refuelling station, our staff will operate the fuel dispensers to refuel the vehicle according to the customer’s request. Our refuelling stations are equipped with a range of one to four fuel dispensers while each fuel dispenser typically comes with two dispensing nozzles. The fuel dispensers at our stations are connected to computerised control panels which are installed with and connected to the Transaction Recording Software, which was developed and licensed to us by Jilin Yafei Technology, a connected person of our Company, during the Track Record

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Period. To ensure continued usage of the software, we, through Changchun Sinogas, have entered into the Software Copyright Agreement for the transfer of copyrights of the Transaction Recording Software and supply of software maintenance services to our Group. For details, please refer to the section headed “Connected transactions — Exempted continuing connected transactions — 1. Transfer of software copyright and supply of software maintenance services to our Group” in this prospectus.

The Transaction Recording Software enables us to record the sales data in our centralised and digitalised sales record data base, complete payment by transferring balances from our customers’ pre-paid accounts and implement our membership programme via computers which allow access to the data on the servers. Our staff at the refuelling stations is trained to operate the control panel and provide refuelling services to our customers which include individual customers, such as private vehicle-users and taxi drivers, as well as corporate customers, such as bus operators, logistics companies and driving academy.

Generally speaking, we do not enter into long-term written agreements with our customers. During the Track Record Period, Jilin Clean Energy entered into a legally binding long-term refuelling service agreement with a bus operator and the key terms of such agreement are set forth below:

Provision of services:	Provide CNG refuelling service to the 35 public buses at one of our designated refuelling stations
	Provide complementary natural gas cylinders testing services for the fleet of bus regularly as required by the local government
Product requirements:	Quality of the CNG shall be of industry standard
Term:	1 April 2015 to 31 March 2018
Price:	RMB0.25/m ³ discount based on the sales price set by the local government of Changchun City
Purchase amount:	If the monthly sales exceed RMB400,000, an additional written agreement will be entered into
Payment:	Parties to this agreement will confirm the total sales volume of CNG at the end of each month
	Upon confirmation, our Company will issue an invoice and payment shall be made within 15 days

In November 2015, the Jilin Provincial Price Bureau forwarded the Circular on Reducing the Gate Station Prices of Natural Gas Used for Non-residential Purposes and Further Accelerating the Market-oriented Price Reform (Fa Gai Price [2015] No. 2688) (關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知(發改價格[2015]2688號)) issued by the NDRC for the implementation of this circular in Jilin Province, pursuant to which the selling price of natural gas for vehicle usage in Jilin Province can be adjusted and managed by the market where appropriate. As we

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were no longer required to observe the price ceiling in Jilin Province since November 2015, the price offered to the aforementioned customer was adjusted to market price as adjusted from time to time. Our Directors confirm that there had not been any material breach of the above long-term refuelling service agreement during the Track Record Period.

5. Settlement

Based on the needs of our customers, we offer different settlement methods for our individual customers and corporate customers. Individual customers may settle payment by (i) presenting a pre-paid card and deducting the purchase sum from their account, (ii) cash and (iii) electronic payment methods. For electronic payment method which utilises near field communication (“NFC”) between mobile phones and settlement devices provided and maintained by third party electronic payment service provider, our individual customers may first pre-pay online and present the receipt at our stations to redeem refuelling services or they may settle payment at our stations by swiping their NFC devices, such as mobile phone, on our settlement device.

To allow our corporate customers to manage and keep track of their purchase more efficiently, we set up and maintain corporate customer accounts, which could be linked to membership cards issued to different drivers who work for the same transportation service provider. Our corporate customers generally pre-pay for our refuelling services by depositing cash into and crediting their corporate customer account. Upon presentation of the membership card which is linked to a corporate account, the unit price and per unit discount as agreed with the customer (if applicable) would be displayed on the control panels at the refuelling stations. Further, the sales volume and amount are recorded in our centralised sales system. The purchase amount is also simultaneously deducted from the respective corporate customer’s account. The aggregate purchase amount and remaining balance will be presented to our corporate customers for confirmation periodically.

Generally, no refuelling service will be provided without sufficient balance in the corporate customer account. When considering if overdraft is allowed, we typically take into consideration of our business relationship with the customer, the sales volume and the credibility of the customer. Generally speaking, when the corporate customer account runs out of deposits, notice will be given to the respective corporate customer for prepayment or settlement.

HEALTH AND WORK SAFETY CONTROL

Our operations of gas stations involve risks and hazards inherent in providing our services, which could result in possible legal liability and business interruption arising from destruction of property or production facilities, environmental damage and personal injury. For details of the risks relating to our operation, please refer to the section headed “Risk factors — Risks relating to our business and industry — Our assets and operations are subject to hazards customary to the natural gas industry, and we may not have adequate insurance to cover all these hazards” in this prospectus. To minimise the health and safety risks and hazards, we have adopted various internal policies and preventative measures, such as setting up a safety management team to provide training on safety issues to our staff, installing fire extinguishers according to the industry standard and conducting regular inspections on the enforcement of safety standard at our stations.

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Since the fuels we sell are explosive and inflammable, we have put in place various measures to minimise the chances of accidents and hazards. For all of our refuelling stations, we have cordoned off a specific area for storage of fuels where no other inflammable products are allowed. Access to the storage area is restricted to the relevant staff who is required to put on protective workwear and remove his body electrostatic by a specific electrostatic eliminator device before entering into the area.

We place strong emphasis on the safety of our staff. We have issued a safety gear guideline setting out the safety gear and equipment required and assigned for each position at the refuelling station, including safety goggles and masks. Safety gear and equipment are stored properly at an accessible location. To ensure safe and smooth operation, we have prepared a refuelling station operation manual for our staff that provides a detailed, step-by-step guideline on the operation of various machines for the process of off-loading, gasification, storage and refuelling.

Apart from endeavouring to reduce the chances of accidents, we have also undertaken various measures to prepare ourselves for any safety emergencies. We have issued a fire safety policy which specifies the fire service equipment required for the refuelling stations of different scale and illustrates the usage and maintenance of such equipment. All of our refuelling stations are equipped with fire service equipment, including but not limited to, fire extinguisher, fire blanket and sand bucket. Our safety department is responsible for regular inspection whilst our procurement department is responsible for purchase and maintenance of our fire service equipment. Further, we have issued a safety emergency policy for our staff setting out the evacuation route and displayed an evacuation map in a prominent place of our refuelling stations.

Our PRC Legal Adviser is of the view that we have complied with the applicable PRC laws and regulations on health and safety, including Regulation on the Administration of Urban Gas (《城鎮燃氣辦理條例》), Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》), and the Regulation of Safety Supervision of Gas Cylinders (《氣瓶安全監察規定》) and the relevant local regulations where we operate in all material respects. We had not been subject to any material legal or administrative actions arising from material non-compliance with any relevant laws or regulations regarding health and work safety control. Our Directors confirm that we have not experienced any material safety accident during the Track Record Period.

MAINTENANCE OF OUR FACILITIES AND IT SYSTEM

Proper management of the facilities and equipment in gas refuelling station is necessary to ensure provision of safe and quality service. As a result, we have included in our refuelling station operation manual the procedures and policies regarding the maintenance of our refuelling facilities, including compressor, fuel dispenser and other ancillary facilities, such as electricity generator and water heater. Depending on the nature and type of the facilities, our staff is required to examine the facilities regularly and record the results in a register for proper record keeping. For example, compressor shall typically be examined once every few hours. In addition, the manual sets out the possible contingent dysfunction of different type and model of the facilities as well as the corresponding corrective actions to be taken. According to the manual, only workers who possess the necessary qualifications are permitted to carry out the maintenance work.

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Our IT system is crucial to our daily operation as our retail sales are recorded by our IT system. Our sales IT system consists of (i) the Transaction Recording Software installed on the control panels of gas dispensers connected to the administrative team's computers via the servers; (ii) the servers; and (iii) the data management software installed on the administrative teams' computers. The information collected from the gas dispensers is automatically transferred to the administrative team's computers on real-time basis. Such sales data, when combined with the data management software installed on our administrative team's computers, enables us to consolidate and analyse our operational data.

We place significant emphasis on ensuring our IT system is safeguarded against suspension and interruption. During the Track Record Period, Jilin Yafei Technology, as the registered owner and developer of the Transaction Recording Software Copyright granted a licence to our Group to use the Transaction Recording Software. We entered into the Software Copyright Agreement with Jilin Yafei Technology on 16 March 2017, pursuant to which Jilin Yafei Technology agreed to sell the Transaction Recording Software Copyright to our Group and to provide software maintenance services (including server custody) for us. For details, please refer to the section headed "Connected transactions — Exempted continuing connected transactions — 1. Transfer of software copyright and supply of software maintenance services to our Group" in this prospectus.

Our servers are located at the central server room of the office building of Jilin Yafei Technology, which cannot be accessed without authorised staff card or other proper authorisation. Our Directors consider that it would be beneficial to our Group to locate its server at the premises of the server operator, as it would be more convenient for Jilin Yafei Technology to provide anti-virus software maintenance and system operation monitoring services. Our Directors also consider that it is a usual business practice to locate the server of a company at the premises of the server operator. The servers are set up in a secured room with key card control and surveillance system. To protect the servers from fire, we have installed automatic fire extinguisher and surveillance system. An automatic alert system is in place to notify the IT team and Jilin Yafei Technology if any abnormal circumstances occur in the server room. We have also installed back-up batteries that could sustain continuous operation of the servers in case of electricity interruption. Data backup is carried out continuously to ensure comprehensiveness of operational data.

QUALITY CONTROL

We believe the quality of our products and service is essential to our business growth. CNG, LNG and LPG are our principal raw materials and their quality is a determinative factor for the quality of our services. As such, we primarily source CNG, LNG and LPG from reputable suppliers who could meet our quality requirements. We generally require our gas suppliers to conduct product tests on their products or provide us with the relevant test results as required. It is our policy that assessments on the potential suppliers' reputation, product quality, and production capacity are carried out prior to engaging any suppliers. Such assessments are reviewed by our senior management and approvals from the responsible senior management personnel are required before any formal purchase agreement is entered into. We maintain a registry of approved suppliers for different goods, including CNG, LNG, LPG and other facilities related to our operation.

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INVENTORY CONTROL

Our inventory comprises CNG, LNG and LPG contained in the storage at the refuelling stations, spare parts for maintenance of our station facilities and office supplies. In general, our operation team is responsible for reviewing the sales performance of each station under his/her supervision and prepares sales forecast and fuel procurement plan for the upcoming week or month based on past sales performance. The draft procurement plan would then be sent to the senior management for approval. Upon approving the procurement plan, corresponding purchase orders would be placed with our suppliers and logistics arrangement would be liaised with Jieli Logistics or the suppliers, as the case may be. Since most of our customers are public transportation drivers whose demand for gas and refuelling pattern is relatively stable, we are able to estimate when inventory at each station would be depleted and delivery of a new cylinder of inventory would be required. As our Transaction Recording Software records the sales performance and fuel inventory level at each station on real-time basis, we could monitor our inventory level regularly and adjust the purchase orders to meet the actual demand of fuel at each station. As such, our operation team is poised to identify unusual demand for fuel at certain station at times and order additional fuel to fulfill the demands and we are able to maintain a low level of inventory of fuels.

When we order fuels from our suppliers, the fuels are typically picked up by Jieli Logistics from the suppliers' production sites. The fuels are pumped into the cylinders attached to the transportation vehicles of Jieli Logistics. When the relevant transportation vehicles arrive at the designated station, the cylinders would be off-loaded and serve as the fuel storage of the station. Generally speaking, two cylinders of fuel are present in those stations without gas well: one cylinder would be connected to the gas compressor, which is connected to the gas dispensers and readily available for our customers; the other cylinder would act as the reserve inventory. When the cylinder connected to the gas compressor is depleted, the reserve cylinder can be attached to the gas compressor and continue providing fuel to our dispensers. In the meantime, a new cylinder of fuel would be ordered or would arrive as planned to act as the reserve cylinder.

In light of our inventory management system, we did not have high level of inventory of CNG. Our average turnover days of inventory for natural gas were approximately 0.5 days, 0.4 days, 0.4 days and 1.1 days for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively while that of inventory for LPG were approximately 18 days, 12 days, nine days and 10 days for the same periods.

SALES AND MARKETING

During the Track Record Period, we did not incur significant marketing costs as our primary marketing activities take place at our refuelling stations where posters of discount promotions were shown in public area. In addition, we encouraged our customers to enrol in our membership programme by offering discounts.

Membership Programme

To improve the loyalty of our customer and to assist our corporate customers to manage their purchase, we implemented our membership programme. As at the Latest Practicable Date, we have issued over 45,000 membership cards.

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As at the Latest Practicable Date, our membership programme primarily provides purchase discount to members to enhance customer loyalty at areas where competition was relatively noticeable. We also encourage our customers to utilise the pre-paid function of our membership cards to receive additional discounts. Going forward, we intend to add more functions to our membership cards to maximise membership's convenience in patronising our stations. Further, we can collect useful business information, including demographic data and sales record of our customers, from our membership programme. This information helps us to better understand and keep track of the characteristics of our customer base and formulate future sales and marketing strategies.

Each individual may apply for one membership card at our refuelling station upon presentation of identity document or driving licence. Members can settle payment by inserting the membership cards to our fuel dispensers and the purchase amount will be directly deducted from the member's accounts through our computerised system. Members can top-up the membership card at our refuelling stations. To improve our competitiveness, some frequent customers are offered a fixed discount which is reviewed annually with reference to the sales price offered by the nearby gas refuelling station operators. Different levels of discount are offered to our members based on our business relationship with them. During the Track Record Period, the discount we offered to our members ranged from nil to RMB1.4/unit of our official sales price as displayed at the stations.

The discount we offer to customers is different and the discount rate is reviewed and approved by our management team who takes into account our relationship with the customer, the sales record and credibility of the customer, the possibility of future co-operation with the customer and the prevailing market conditions. In general, customers expected to generate higher revenue due to their business nature and number of vehicles in need of our service are offered more discount.

PRICING

Natural gas prices for vehicle usage are regulated by the local governments as authorised by the PRC government by imposing price ceiling. As such, the price ceiling at different cities may differ. During the Track Record Period, we operated CNG refuelling stations in Jilin Province, Liaoning Province and Heilongjiang Province. Prior to the announcement of the Certain Opinion from the State Council of the PRC on Promoting the Reform of Price Mechanism (《中共中央國務院關於推進價格機制改革的若干意見》) issued by the CPC in October 2015 and the Circular on Reducing the Gate Station Prices of Natural Gas Used for Non-residential Purposes and Further Accelerating the Market-oriented Price Reform (《關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知》) issued by the NDRC in November 2015, pursuant to which the selling price of natural gas for vehicle usage in local regions can be adjusted and managed by the market where appropriate, our selling price for CNG was required to observe the end-user price ceiling set by the local pricing authorities. The aforesaid Circular was forwarded by both the Jilin Provincial Price Bureau and the Liaoning Provincial Price Bureau for the implementation of this circular in Jilin Province and in Liaoning Province in November 2015. As a result, we were no longer required to observe the price ceiling in Jilin Province and Liaoning Province since November 2015. For Heilongjiang Province, the PRC government is still in the process of drafting and preparing to promulgate the relevant provisions to cope with the new trend of marketisation. Therefore, the pricing of both our natural gas supplies

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and sales prices in Heilongjiang Province would still be subject to the Heilongjiang Province Pricing Catalogue (《黑龍江省定價目錄》) issued by the Heilongjiang Province Price Supervision Authority. Our Directors confirm that we did not sell our CNG, LNG or LPG at a price exceeding the relevant price ceiling at the relevant time during the Track Record Period.

Apart from observing the price ceiling as determined by the local pricing authorities, we adjust and set our price for CNG, LNG and LPG by taking into consideration (i) the procurement cost (including the transportation cost) of the fuels; (ii) the location of the refuelling station; (iii) the competition at each refuelling station; (iv) our business relationship with the relevant customers; and (v) payment method chosen by the customers. Generally speaking, when the purchase price of the fuels increases, the retail price of the fuels also increases in an attempt to shift the burden to the end-customers. On the other hand, when purchase price of the fuels decreases, refuelling station operators are able to adjust the retail price without reducing their profit margin. As such, a universal upward or downward adjustment of retail price is likely to ensue. Since the products we and our competitors sell are homogeneous to a large extent, price competition is usually observed at refuelling stations in cities in which distance between refuelling stations is short and where the end customers are afforded the option to shop around for lower price. Hence, where a refuelling station is located in more remote area and does not face competition from other stations, we are able to charge a higher price, and adjust our price without significantly weighing in the price charged by nearby competitors, if any.

For stations which are in proximity to our competitors, it is essential for our station managers to observe, record and report the prices charged by the competitors on a daily basis so that an optimal price could be set, recommended and sent to the operation team at the main office in Changchun City for approval. The operation team reviews and approves recommendation for adjustment of retail price on daily basis. Once a proposed adjustment is approved, we could administer the price adjustment on real-time basis with our Transaction Recording Software. In determining how to react to a change in price charged by our competitors, the operation team at the main office takes into account (i) our Group's overall sales strategies and its sales strategies for each station; (ii) the existing profit margin of the relevant station; (iii) the level of competition in the vicinity; (iv) the sales strategies adopted by its competitors, such as expected duration of the price cut/hike of the competitor; and (v) the fuel procurement cost. For instance, if the size of a competitor is similar to ours and it is expected that the price cut is temporary, we may choose not to adjust our price so that higher profit margin can be maintained in spite of a temporary fall in sales volume. Since we typically price our products at each station with reference to, among other factors, our competitors' price, the frequency of price adjustment of each station also varies with the number of competitors in the vicinity and the frequency of price adjustment by our competitors. Our Directors confirm that during the Track Record Period, significant price adjustment was infrequent while minor adjustments could be made on daily basis with the assistance of our Transaction Recording Software. Our Directors estimate that the retail price of our products were adjusted at each of our gas refuelling stations with a range of approximately 2 to 22 times, 2 to 22 times, 3 to 21 times and 2 to 6 times for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively.

For customers who are holders of our membership cards and patronise our stations at regular intervals, we may offer discount on the selling price by adjusting the selling price via the Transaction Recording Software. When customers choose to pre-pay by depositing money into the membership cards, we may also offer discount to customers so as to encourage our customers' loyalty. During the Track Record Period, the discount we provided to our customers ranged from nil to RMB1.4/unit.

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CUSTOMERS

Our customers primarily comprise operators of public transport vehicles, such as taxis, buses and long-distance trucks, and private vehicles users which purchase CNG and LPG from our refuelling stations under our operation. During the Track Record Period, the transportation vehicles owned by Jieli Logistics and Changchun Yitonghe obtained gas refuelling services from our Group at our gas refuelling stations. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, our five largest customers in aggregate contributed to approximately 3.1%, 4.9%, 7.3% and 3.7%, of our total revenue of the corresponding periods respectively. Our largest customer contributed to approximately 1.4%, 2.4%, 1.9% and 1.5%, of our total revenue during the same periods respectively. During the Track Record Period, none of our customer accounted for more than 5% of our total revenue in each of the relevant financial year.

To the best knowledge of our Directors, save for Jieli Logistics, none of our Directors and their respective close associates or any of our Shareholders holding more than 5% of the number of issued shares of our Company as at the Latest Practicable Date has any interest in any of our five largest customers during the Track Record Period.

RAW MATERIALS AND OUR SUPPLIERS

Our refuelling station operation incurs costs for procuring CNG, LPG, LNG, transportation services and spare parts for equipment maintenance. CNG is the primary raw material for our business. Procurement of CNG represented approximately 86.0%, 91.3%, 91.9% and 91.4% of our total cost of sales for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively.

The table below sets forth the average cost by product type for the periods indicated and the year to year percentage change in average cost by product type:

	Year ended 31 December					Three months ended 31 March		
	2014	2015	YoY	2016	YoY	2016	2017	YoY
			percentage		percentage			percentage
RMB/unit	RMB/unit	change	RMB/unit	change	RMB/unit	RMB/unit	change	
		%		%			%	
CNG (/m ³)	3.47	3.04	(12.4)	2.29	(24.7)	2.59	2.18	(15.8)
LNG (/tonne)	5,167	3,798	(26.5)	2,733	(28.0)	3,444	3,049	(11.5)
LPG (/tonne)	6,198	4,800	(22.6)	3,638	(24.2)	4,301	4,032	(6.3)

Note: Average cost is calculated by the cost of sales of each product during the respective period divided by the sales volume for each product during the respective period.

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According to F&S, the purchase price of natural gas is affected by various factors. Please refer to the section headed “Industry overview — Pricing system of vehicle natural gas refuelling station market — Raw material price analysis — (1) Price of fuels supply” for details. As a result of the significant decrease in international crude oil price from 2014 to 2015 and the correlation between international oil price and natural gas price in Asia, our purchase price of natural gas similarly experienced an overall decreasing trend during the Track Record Period. Apart from the overall decreasing trend, we were also faced with fluctuation of purchase price of natural gas. For details of the risks pertaining to fluctuation of fuel purchase price, please refer to the section headed “Risk factors — Risks relating to our business and industry — Our gross profit margin and growth in profit may fluctuate in the future as our purchase price and selling price of CNG are sensitive to factors beyond our control” in this prospectus.

In view of (i) the decreasing trend of fuel price during the Track Record Period and (ii) our effective risk management measures in respect of fuel cost fluctuation, we were not involved in hedging of fuel price during the Track Record Period. Please refer to the sections headed “Business — Pricing” and “Business — Inventory control” of this prospectus for details of our risk management measures in respect of fuel cost fluctuation.

During the Track Record Period, our largest supplier was CNG supplier, which accounted for 26.4%, 25.1%, 24.1% and 25.7% of our total purchases for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Our five largest suppliers in aggregate accounted for approximately 75.0%, 67.7%, 56.0% and 66.5% of our total purchase during the same periods respectively. Set forth below is the profile of our five largest suppliers during the Track Record Period:

For the years ended 31 December 2014						
Rank	Supplier's name	Connected Person (Y/N)	Type of purchase	Approximate years of business relationship with our Group	Amount purchased (excluding tax) (RMB'000)	% of total amount purchase
1	Supplier A	N	Gas	6	58,854	26.4
2	Supplier B	N	Gas	3	41,753	18.8
3	Changchun Longxing ⁽¹⁾	Y	Gas	6	31,556	14.2
4	Jieli Logistics	Y	Transportation services	3	21,349	9.6
5	Nong'an Mother Station ⁽²⁾	Note	Gas	10	13,474	6.0
Sub-total:					166,986	75.0
Total:					222,787	100

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For the years ended 31 December 2015

Rank	Supplier's name	Connected Person (Y/N)	Type of purchase	Approximate years of business relationship with our Group	Amount purchased	% of total amount purchase
					(excluding tax)	
					(RMB'000)	%
1	Nong'an Mother Station ⁽²⁾	Note	Gas	10	57,456	25.1
2	Supplier A	N	Gas	6	38,015	16.6
3	Jieli Logistics	Y	Transportation services	3	21,061	9.2
4	Supplier B	N	Gas	3	19,717	8.6
5	Changchun Longxing ⁽¹⁾	Y	Gas	6	18,778	8.2
Sub-total:					155,027	67.7
Total:					228,956	100

For the years ended 31 December 2016

Rank	Supplier's name	Connected Person (Y/N)	Type of purchase	Approximate years of business relationship with our Group	Amount purchased	% of total amount purchase
					(excluding tax)	
					(RMB'000)	%
1	Supplier A	N	Gas	6	49,757	24.1
2	Supplier B	N	Gas	3	20,935	10.1
3	Jieli Logistics	Y	Transportation services	3	19,995	9.7
4	Supplier D	N	Gas	2	13,253	6.4
5	Supplier C	N	Gas	4	11,722	5.7
Sub-total:					115,662	56.0
Total:					206,574	100

For the three months ended 31 March 2017

Rank	Supplier's name	Connected Person(Y/N)	Type of purchase	Approximate years of business relationship with our Group	Amount purchased	% of total amount purchase
					(excluding tax)	
					(RMB'000)	%
1	Supplier A	N	Gas	6	10,089	25.7
2	Supplier B	N	Gas	3	7,194	18.3
3	Supplier D	N	Gas	2	3,533	9.0
4	Supplier E	N	Gas	1	3,102	7.9
5	Supplier C	N	Gas	4	2,196	5.6
Sub-total:					26,114	66.5
Total:					39,279	100

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Note:

1. Changchun Longxing was a 99%-owned subsidiary of United Strength Investment during the Track Record Period. As at 1 March 2017, we ceased to procure gas from such company.
2. Nong'an Mother Station is a former branch company of Changchun Sinogas. For further details, please refer to the section headed "History, reorganisation and development — Disposals during the Track Record Period and up to the Latest Practicable Date" in this prospectus.

During the Track Record Period, approximately 29.8%, 42.5%, 9.7% and nil of our total purchase amount arising from procurement cost from the top five suppliers during the Track Record Period were attributable to connected persons of our Group. Our Directors confirm that the procurement of gas from these connected persons were conducted at market rate during the Track Record Period. Please refer to the section headed "Connected transactions" for further details. As shown in the tables above, we procured gas and transportation services from our connected persons for the years ended 31 December 2014, 2015 and 2016 and the three month ended 31 March 2017. The procurement for gas from the relevant connected persons of our Group had ceased as at the Latest Practicable Date. Given that Jieli Logistics was our sole transportation service provider, it was one of our top five suppliers in each of the years ended 31 December 2014, 2015 and 2016. As at the Latest Practicable Date, we continue to engage Jieli Logistics and will continue to engage Jieli Logistics pursuant to the Transportation Services Agreement upon Listing. For details of the Transportation Services Agreement, please refer to the section headed "Connected transactions — Non-exempted continuing connected transactions — 1. Transportation services provided to our Group" in this prospectus.

During the Track Record Period, Jilin Storage and Transportation supplied LPG to our Group. Furthermore, some of our CNG suppliers included (i) PetroChina Kunlun Gas Co., Ltd. Jilin City Changyi District Branch Company (中石油昆侖燃氣有限公司吉林市昌邑區分公司), a branch company of PetroChina Kunlun Gas Co., Ltd. (中石油昆侖燃氣有限公司) ("**PetroChina Kunlun**"), which is an indirect wholly owned subsidiary of PetroChina Natural Gas; (ii) PetroChina Company Limited Liaohe Oilfield Branch Company (中國石油天然氣股份有限公司遼河油田分公司), a branch company of PetroChina Natural Gas; (iii) Harbin PetroChina Kunlun Vehicle Gas Company Limited (哈爾濱中石油昆侖車用天然氣有限公司), a subsidiary of PetroChina Kunlun; and (iv) China Petroleum Transportation Company Limited Jinzhou Branch Company (中國石油天然氣運輸公司錦州分公司), a branch company of China Petroleum Transportation Company Limited (中國石油天然氣運輸公司), a state-owned enterprise, which shares the same holding company with Jilin Petroleum. For the three years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, the total procurement cost incurred with such CNG suppliers were approximately RMB30,000, RMB1.0 million, RMB9.5 million and RMB1.4 million, respectively. As at the Latest Practicable Date, we have ceased to procure CNG from and instead source from suppliers which are Independent Third Parties.

To the best knowledge of our Directors, save as disclosed above and in the section headed "Connected transactions" in this prospectus otherwise, none of our Directors and their respective associates or any of our Shareholders holding more than 5% of the number of our Company's issued shares as at the Latest Practicable Date have any material interest in any of the five largest suppliers during the Track Record Period.

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ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, two of our five largest customers during the Track Record Period, namely (i) Jieli Logistics, which is a connected person and (ii) a customer engaging in the business of natural gas refuelling station operation (“Customer A”), were also two of our major suppliers. Jieli Logistics provided transportation service to us and also purchased CNG at our refuelling stations in the course of providing transportation service. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, our sales to Jieli Logistics accounted for approximately 1.4%, 1.2%, 0.8% and 0.8%, respectively, of our total revenue. Our Directors confirm that our sales to Jieli Logistics during the Track Record Period were conducted at market rate. During the same period, our procurement of transportation service from Jieli Logistics accounted for approximately 9.6%, 9.2%, 9.7% and 4.1%, respectively, of our total cost of sales in the respective periods. Gross profit margin for the sales to Jieli Logistics was generally in line with our overall gross profit margin because the sales to Jieli Logistics were conducted on normal commercial basis. Upon Listing, we will continue to supply CNG to Jieli Logistics pursuant to the Gas Supply Agreement, which will be an exempted continuing connected transaction. For further information, please refer to the section headed “Connected transactions — Exempted continuing connected transactions — 2. Supply of CNG by our Group” in this prospectus.

Customer A was one of our top five customers for the year ended 31 December 2016 during which Customer A entered into wholesale transaction of CNG with us due to temporary CNG supply shortage in Jilin City, Jilin Province, in late 2016 and it supplied CNG to us in Longjing City in early 2016. Revenue attributable to the wholesale transaction with Customer A amounted to approximately RMB5.2 million, representing approximately 1.9% of our total revenue in the respective year while procurement of CNG from Customer A amounted was approximately RMB1.0 million, representing approximately 0.5% of our total costs of sales for the year ended 31 December 2016. Our Directors confirm that revenue generated from transaction with Customer A and procurement cost attributable to Customer A for the years ended 31 December 2014 and 2015 and the three months ended 31 March 2017 were immaterial.



Gross profit for the sale of CNG to Customer A for the years ended 31 December 2016 was approximately RMB1.5 million and the gross profit margin was approximately 29.8%. Gross profit margin for the sales to Customer A is generally in line with gross profit margin of 27.6% of the supply of natural gas.

Our Directors confirm that it is not uncommon for operators of refuelling stations to procure natural gas from its competitors if the competitors are able to supply natural gas in the relevant region and that after taking into consideration transportation costs potentially involved in transporting the natural gas from a region of more abundant supply to another.

INTELLECTUAL PROPERTIES RIGHTS

We have entered into the Trademark Licence Agreement and the Trade Name Licence Agreement with United Strength Vehicle Service on 23 January 2017 and 16 March 2017, respectively, pursuant to which United Strength Vehicle Service agreed to grant Changchun Sinogas and its subsidiaries, whether directly or indirectly owned, and their respective subsidiaries the non-exclusive right to use

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in the PRC the trademark of “” and the trade name of “眾誠連鎖” with retrospective effect from 21 November 2013 to 20 November 2023 for nil consideration. Subject to successful renewal of the trademark registration, Changchun Sinogas shall have the first priority to extend the terms of the agreement under the same terms. During the Track Record Period, we typically operated the stations we constructed or acquired under the trademark of “” and the trade name of “眾誠連鎖”; while our Jointly-owned Refuelling Stations were operated under the trademark owned by the shareholder of Jilin Petroleum. For the risks associated with the use of such trademark and trade name, please refer to the section headed “Risk factors — Risks relating to our business and industry — We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness” in this prospectus for further details.

As at the Latest Practicable Date, we had two registered patents with respect to LPG processing in the PRC and five series of registered trademarks in Hong Kong. Details of our intellectual property rights, which are material to our business and operations, are more particularly set out in the section headed “Statutory and general information — 2. Further information about our business — 2.2 Intellectual property rights of our Group” in Appendix IV to this prospectus.

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

COMPETITION

According to the F&S Report, China’s CNG refuelling station market is operated by two major types of market participants: the Big Three Oil Giants and independent operators in the industry. The Big Three Oil Giants typically play important roles in China’s market. Nevertheless, in Jilin Province, the Big Three Oil Giants play a less important role than they are in other parts of China, with the top three market players all being regional independent operators and taking over around 27.3% of the market share in terms of CNG sales volume in 2016. The CNG refuelling station market of Jilin Province also showed a scattered industry concentration in terms of the station numbers. The top three market players operated 53 CNG refuelling stations in Jilin Province and only accounted for approximately 20.1% of the stations in Jilin Province. The majority of CNG refuelling stations in Jilin Province are small scale stations and operated by local private companies which only operate one to two stations. In short, Jilin Province’s CNG refuelling station market is relatively fragmented.

Our Directors believe that rich project experience, good relationship with local governments and midstream suppliers, and local brand recognition are crucial to the success of a regional natural gas refuelling station operators. Newcomers to the industry may not be able to obtain the requisite certification from the government, or to secure stable gas supply from midstream suppliers. In addition, as local vehicle gas end-users are more apt to patronise local well-established refuelling stations to ensure safe and high quality services, newly established gas refuelling station operators may face difficulties in attaining market share.

In the wake of environmental concerns, we expect to witness increasing demand for natural gas refuelling stations as the government continue to promote natural gas utilisation in the transportation

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sector. Further, according to F&S, Jilin Province market is expected to go through a stage of consolidation where regional leading market players with strong capital force and good safety compliance record will acquire or replace small competitors. Such development is expected to foster healthy competition in the industry and in turn drives the benign development of Jilin Province's vehicle gas refuelling station market.

In addition to competition with other gas refuelling station operators, our Group also faces increasing competition from NEV, which are also promoted by the PRC government. Please refer to the section headed "Industry overview — Threats and challenges to vehicle gas refuelling station market in China and in Jilin Province — Competition from New Energy Vehicles" in this prospectus for detailed information.

INSURANCE

We maintain various insurance policies to cover the potential losses and damages arising from fire, natural disasters and accidents at our refuelling stations. Our assets at the refuelling stations, such as the building structure, the equipment and computers, are essential to our operations and are covered by property all risks insurance. Our vehicles are covered by motor vehicle insurance. We also carry third party liability insurance to cover claims in respect of personal injury arising from accidents at our refuelling stations. The insurance policies are renewable on an annual basis. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies.

Our Directors are of the view that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. Nevertheless, significant damages to our operation facilities or any of our properties, whether as a result of fire and/or any other cause, could still have a material adverse impact on the results of our operations. Please refer to the section headed "Risk factors — Risks relating to our business and industry — Our assets and operations are subject to hazards customary to the natural gas industry, and we may not have adequate insurance to cover all these hazards" in this prospectus for further details.

ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

Our operations are subject to environmental, health and safety laws and regulations relating to the construction and operation of stations.

During the Track Record Period and as at the Latest Practicable Date, save as disclosed in the paragraph headed "Legal proceedings and non-compliance matters" in this section below, our PRC Legal Adviser is of the view that we have complied with the applicable PRC laws and regulations on environmental protections in all material aspects. Our construction projects, production and operations had been in compliance with the requirements and standards under the stipulations of national and local laws and regulations on environmental protection in all material aspects, and we had implemented the environmental impact assessment system in accordance with the laws. In addition,

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we had not been involved in any environmental pollution incidents or other illegal environmental acts or in breach of any national and local laws and regulations on environmental protection in any material aspect. Our Directors confirm that the annual cost of compliance with applicable environmental protection laws and regulations was immaterial during the Track Record Period.

PERMITS, LICENCES AND APPROVALS

The gas distribution industry is regulated in China and gas distributors are required to obtain requisite permits, licences, and approvals from the relevant government authorities. Please refer to the section headed “Regulations” in this prospectus for details of the permits, licences, and approvals required for our operations.

Our Directors, as advised by our PRC Legal Adviser, confirm that during the Track Record and up to the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects and had obtained and maintained the validity of all material permits, licences, and approvals from the relevant PRC authorities for our operation in China, save for the non-compliance incidents disclosed in the paragraph headed “Legal proceedings and non-compliance matters” in this section below. The following table sets out certain information in relation to our material permits, licences, and approval:

Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
Gas Operating Licence (natural gas (automotive))(燃氣經營許可證)(天然氣(車用))	Changchun Sinogas	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	2 March 2015 to 1 March 2018
	Changchun Sinogas (Jingyue Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	2 March 2015 to 1 March 2018
	Jilin Clean Energy (Jilin Branch)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	28 February 2015 to 27 February 2018
	Jilin Clean Energy (Jilin Changchun Road Branch)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	28 February 2015 to 27 February 2018
	Jilin Clean Energy (Puyang Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	3 March 2015 to 2 March 2018
	Jilin Clean Energy (Southeast Lake Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	3 March 2015 to 2 March 2018
	Jilin Clean Energy (Guigu Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	3 March 2015 to 2 March 2018

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Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
	Jilin Clean Energy (Benchi Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	13 March 2017 to 12 March 2020
	Jilin Dongkun Gas	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	30 December 2016 to 30 December 2019
Gas Operating Licence (automotive natural gas) (燃氣經營許可證)(車用天然氣)	Jixi United Strength	Department of Housing and Urban-Rural in Heilongjiang Province (黑龍江省住房和城鄉建設廳)	15 June 2015 to 14 June 2018
Gas Operating Licence (natural gas and LPG (automotive)) (燃氣經營許可證)(天然氣、液化氣(車用))	Jilin Clean Energy	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	27 February 2015 to 26 February 2018
	Longjing United Strength	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	31 March 2015 to 30 March 2018
	Longjing United Strength (Yanji Branch)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	31 March 2015 to 30 March 2018
	Longjing United Strength (Yanji 2nd Branch)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	31 March 2015 to 30 March 2018
Gas Operating Licence (LPG for household and automotive) (燃氣經營許可證)(民用、車用液化石油氣)	Wuchang Gas	Bureau of Housing and Urban-Rural in Wuchang City (五常市住房和城鄉建設局)	18 December 2015 to 17 December 2018
Gas Operating Licence (LPG (automotive)) (燃氣經營許可證)(液化氣(車用))	Longjing United Strength (Yanji 3rd Branch)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	31 March 2015 to 30 March 2018
	Longjing United Strength (Wangqing Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	31 March 2015 to 30 March 2018
Gas Operating Licence (LPG (automotive)) (燃氣經營許可證)(車用液化石油氣)	Longjing United Strength (Helong Branch)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	26 July 2017 to 25 July 2020

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Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
Gas Operating Licence (automobile natural gas refuelling station) (燃氣經營許可證)(天然氣汽車加氣站)	Longjing United Strength (Longhe Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	27 May 2017 to 26 May 2020
Gas Operating Licence (natural gas (CNG for automobile)) (燃氣經營許可證)(天然氣(車用CNG))	Hengtai Energy	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	16 April 2016 to 15 April 2019
	MHK Yujia Petrochemical	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	30 December 2016 to 30 December 2019
Gas Operating Licence (gas for automotive (CNG) (燃氣經營許可證) (車用燃氣(CNG))	Hengtai Energy (Liaoyuan Park Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	26 January 2015 to 25 January 2018
Usage of special equipment registration certificate (特種設備使用登記證)	Wuchang Gas	Quality and Technology Supervision Bureau in Harbin City (哈爾濱市質量技術監督局)	30 March 2010
	Jilin Dongkun Gas	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	16 January 2014
	Longjing United Strength	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	19 June 2008
	Longjing United Strength (Wangqing Station)	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	13 February 2009
	Changchun Sinogas	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	16 August 2009
	Jilin Clean Energy (Puyang Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	15 November 2007

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Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
	Jilin Clean Energy (Southeast Lake Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	21 October 2010
	Jilin Clean Energy (Guigu Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	22 October 2010
	Jilin Clean Energy (Benchi Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	30 October 2014
	Longjing United Strength (Yanji Branch)	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	26 December 2012
	Longjing United Strength (Yanji 2nd Branch)	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	26 December 2012
	Longjing United Strength (Yanji 3rd Branch)	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	3 November 2006
	Longjing United Strength (Helong Branch)	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	5 March 2009
	Longjing United Strength (Longhe Station)	Quality and Technology Supervision Bureau in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州質量技術監督局)	25 December 2013
	MHK Yujia Petrochemical	Quality and Technology Supervision Bureau in Tonghua City (通化市質量技術監督局)	22 September 2013

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Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
	Hengtai Energy	Quality and Technology Supervision Bureau in Liaoyuan City (遼源市質量技術監督局)	13 November 2012
	Hengtai Energy (Liaoyuan Park station)	Quality and Technology Supervision Bureau in Liaoyuan City (遼源市質量技術監督局)	15 September 2014
Usage of pressure vessel registration certificate (壓力容器使用登記證)	Jixi United Strength	Quality and Technology Supervision Bureau in Jixi City (雞西市質量技術監督局)	11 October 2014
Installation, transformation, repair of special equipment permit (pressure vessel) (特種設備安裝改造維修許可證 (壓力容器))	Longjing United Strength	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	12 July 2017 to 11 July 2021
Cylinder filling permit (氣瓶充裝許可證)	Changchun Sinogas (Jingyue Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	31 March 2014 to 30 March 2018
	Jilin Clean Energy (Jilin Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	19 January 2014 to 18 January 2018
	Jilin Clean Energy (Changchun Road Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	2 March 2017 to 1 March 2021
	Jilin Clean Energy (Puyang Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	4 April 2017 to 3 April 2021
	Jilin Clean Energy (Southeast Lake Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	4 April 2017 to 3 April 2021
	Jilin Clean Energy (Guigu Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	4 April 2017 to 3 April 2021

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Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
	Jilin Clean Energy (Benchi Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	5 January 2017 to 4 January 2021
	Wuchang Gas	Quality and Technology Supervision Bureau in Heilongjiang Province (黑龍江省質量技術監督局)	19 August 2014 to 3 July 2018
	Jixi United Strength	Quality and Technology Supervision Bureau in Heilongjiang Province (黑龍江省質量技術監督局)	9 December 2015 to 8 December 2019
	Jilin Dongkun Gas	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	28 November 2013 to 27 November 2017 (<i>Note 1</i>)
	Longjing United Strength	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	11 August 2014 to 10 August 2018
	Longjing United Strength (Yanji Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	6 July 2016 to 5 July 2020
	Longjing United Strength (Yanji 2nd Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	15 January 2017 to 14 January 2021
	Longjing United Strength (Yanji 3rd Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	29 November 2014 to 28 November 2018
	Longjing United Strength (Helong Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	12 May 2014 to 11 May 2018
	Longjing United Strength (Longhe Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	15 April 2014 to 14 April 2018

Note 1: Our Directors confirm that our Group is in the process of applying for the renewal of the permit and there is no foreseeable impediment to obtain the renewed licence upon its expiry in November 2017.

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Type of permit/licence/approval	Group company being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
	Longjing United Strength (Wangqing Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	11 August 2014 to 10 August 2018
	Hengtai Energy	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	12 August 2017 to 11 August 2021
	Hengtai Energy (Liaoyuan Park Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	7 January 2015 to 6 January 2019
	MHK Yujia Petrochemical	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	22 January 2014 to 21 January 2018
Road transport business licence (道路運輸經營許可證)	Changchun Sinogas	Local Road Transport Administrative Bureau in Changchun City (長春市地方道路運輸管理局)	13 September 2016 to 13 September 2020
Inspection and testing organization of special equipment approval certificate (特種設備檢驗檢測機構核准證)	Longjing United Strength (Yanji 6th Branch)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	30 October 2014 to 29 October 2018
Hazardous chemical business licence (危險化學品經營許可證)	Longjing United Strength (Longhe Station)	Bureau of Administration and Supervision on Work Safety in Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州安全生產監督管理局)	20 June 2017 to 19 June 2020
	Hengtai Energy (Liaoyuan Park Station)	Bureau of Administration and Supervision on Work Safety in Liaoyuan City (遼源市安全生產監督管理局)	15 February 2015 to 14 February 2018
Petroleum products retail business approval certificate (成品油零售經營批准證書)	Hengtai Energy (Liaoyuan Park Station)	Department of Commerce in Jilin Province (吉林省商務廳)	22 April 2015 to 22 April 2020
	Longjing United Strength (Longhe Station)	Department of Commerce in Jilin Province (吉林省商務廳)	10 April 2015 to 10 April 2020

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According to the entrustment agreements entered into between Changchun Yitonghe and Longjing United Strength from October 2013 to May 2015, which have been replaced by Gas Business Entrustment Agreement entered into between Changchun Yitonghe and Changchun Sinogas effective upon Listing, our Group is entitled to use all the relevant permits, licences and approval obtained by Changchun Yitonghe for the purpose of operation and management of the five Yitonghe Entrusted Refuelling Stations. The following table sets out certain information in relation to the material permits, licences, and approval that we are entitled to use:

Type of permit/licence/approval	Yitonghe Group being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
Gas Operating Licence (natural gas (automotive)) (燃氣經營許可證)(天然氣(車用))	Changchun Yitonghe	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	31 March 2015 to 30 March 2018
	Changchun Yitonghe (Jida Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	8 October 2015 to 7 October 2018
Gas Operating Licence (natural gas (CNG for automobile)) (燃氣經營許可證)(天然氣(車用CNG))	Changchun Yitonghe (Jixing Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	28 February 2017 to 27 February 2020
	Changchun Yitonghe (Shuangxing Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	28 February 2017 to 27 February 2020
	Changchun Yitonghe (Pingan Station)	Department of Housing and Urban-Rural in Jilin Province (吉林省住房和城鄉建設廳)	28 February 2017 to 27 February 2020
Usage of special equipment registration certificate (特種設備使用登記證)	Changchun Yitonghe	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	14 May 2014/21 May 2014 (Note 1)
	Changchun Yitonghe (Jixing Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	15 January 2014
	Changchun Yitonghe (Shuangxing Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	14 January 2014
	Changchun Yitonghe (Pingan Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	14 May 2014
	Changchun Yitonghe (Jida Station)	Quality and Technology Supervision Bureau in Changchun City (長春市質量技術監督局)	10 April 2015

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Type of permit/licence/approval	Yitonghe Group being holder of permit/licence/approval	Issuing authority	Valid period/Issuing date
Cylinder filling permit (氣瓶充裝許可證)	Changchun Yitonghe	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	16 July 2016 to 15 July 2020
	Changchun Yitonghe (Jixing Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	11 April 2014 to 10 April 2018
	Changchun Yitonghe (Shuangxing Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	11 April 2014 to 10 April 2018
	Changchun Yitonghe (Pingan Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	5 January 2017 to 4 January 2021
	Changchun Yitonghe (Jida Station)	Quality and Technology Supervision Bureau in Jilin Province (吉林省質量技術監督局)	8 June 2015 to 7 June 2019

Note 1: Changchun Yitonghe owns five usage of special equipment registration certificates, four of which were issued on 14 May 2014 and one was issued on 21 May 2014.

EMPLOYEES

We had 236, 250, 245 and 240 full-time employees as at 31 December 2014, 2015 and 2016 and 31 March 2017. As at the Latest Practicable Date, our Group had a total of 240 employees, comprising 239 employees in the PRC and one employee in Hong Kong. The following table sets forth a breakdown of the number of our employees by function as at 31 December 2014, 2015 and 2016, 31 March 2017 and as at the Latest Practicable Date:

	As at 31 December			As at 31 March	As at the Latest Practicable Date
	2014	2015	2016	2017	
Senior management	3	3	3	8	9
Administration	7	8	8	3	4
Finance	6	6	7	6	17
Safety and equipment	3	3	3	2	6
Human resources	2	2	2	2	2
IT	2	2	2	1	1
Operation	213	226	220	218	201
Total	236	250	245	240	240

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According to the PRC Labour Law (《中華人民共和國勞動法》) and the Labour Contract Law of PRC (《中華人民共和國勞動合同法》), we are required to enter into labour contracts with individual workers we hired. The wages we paid to our employees and workers cannot be lower than the local minimum wage standards specified by the government from time to time. We are also required to make severance payments to an employee when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the existing contract.

Furthermore, in accordance with relevant national and local social welfare laws and regulations in the PRC, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, unemployment insurance, occupational injury insurance, medical insurance, maternity insurance and housing provident fund. Our PRC Legal Adviser has advised us that contributions to these social security funds have been made as required by applicable PRC laws and regulations and relevant local regulations during the Track Record Period, other than the non-compliance incidents disclosed in the paragraph headed “Legal proceedings and non-compliance matters” in this section below.

As our operation involves safety hazards, we place significant emphasis on our employees’ training to ensure that each of our employees who work at our refuelling stations are equipped with the prerequisite knowledge of our operation equipment and safety policies. All of our employees are required to attend induction trainings organised by our human resources department. Technical staff such as drivers are required to be properly licensed. To keep our employees abreast of the latest safety requirements, we regularly organise internal trainings for our employees. To improve our employees’ performance, our human resources manager conducts annual appraisal and adjust the employees’ salaries as appropriate.

During the Track Record Period, we did not experience any material labour dispute with our employees, received any relevant complaints, notice or orders from relevant government authorities or third parties. We believe that our senior management and employees will continue to maintain good relationships with each other.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our refuelling stations operation and offices.

As at 31 March 2017, each of our properties had a carrying amount below 15% of our consolidated total assets. On this basis, no property valuation report in respect of our Group’s property interests is required in reliance upon the exemption provided by Rule 5.01A of the Listing Rules and Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Therefore, this prospectus is exempted

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from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As at the Latest Practicable Date, we had land use rights with respect to 11 parcels of land in China, located in the cities of Changchun, Wuchang, Liaoyuan, Meihekou, Helong and Longjing and of the county of Wangqing, with a total area of approximately 90,663.93 sq.m. We have obtained the land use rights certificates for all these 11 parcels of land. As at the Latest Practicable Date, save for one parcel of land in Helong City which was idle, we operate 10 of our stations on these lands.

Further, we have obtained a bid confirmation (掛牌出讓公開交易成交確認書) from the Land and Resources Bureau of Yanji City of Jilin Province(吉林省延吉市國土資源局) in respect of the land use right to a parcel of commercial service facilities land of 4,215 sq.m. in Yanji City. While the Construction Land Use Permit (《建設用地規劃許可證》) to construct a gas refuelling station from the Yanji Town Planning Management Bureau (延吉市規劃管理局) was obtained in May 2015, we are in the process of applying for the land use right certificate without which the construction of station cannot commence. Please refer to the section headed “Risk factors — Risks relating to our business and industry — We have not obtained the land use right certificate to one of the properties, which may materially and adversely affect our rights to use and construct on such property” in this prospectus for further information.

We have obtained 16 building ownership certificates for premises built on the 11 parcels of land, which are typically used as ancillary buildings, such as office, staff resting areas and equipment rooms, to the adjacent refuelling stations except one premise of Helong Branch of Longjing United Strength which was idle. The gross floor area for these premises amounted to approximately 8,183.47 sq.m.

During the Track Record Period, we also occupied two premises, one in Wangqing which was temporarily used as ancillary buildings to the adjacent refuelling stations without obtaining the relevant planning approvals, and the other one in Liaoyuan the building ownership certificate of which is pending to be collected since the certificate issuing authority was updating its network and unable to issue the certificate for the time being. As confirmed by the Planning Bureau of Wangqing county (汪清縣規劃局), the competent authority, no administrative penalties or punitive measures would be imposed on us for not obtaining the relevant building planning approvals for the temporary use of ancillary buildings. As advised by our PRC Legal Adviser, in respect of the premises in Liaoyuan, there is no legal impediment for us to obtain the building ownership certificate. Our Directors confirm that the two premises are not material to our operation.

Save as disclosed above, our PRC Legal Adviser has confirmed that we have complied with the relevant PRC laws with respect to such owned properties in all material respects and obtained the proper land use rights certificates and building ownership certificates for the aforementioned land and buildings and we are entitled to use all parcels of land mentioned above and we legally own all of our buildings.

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Leased Properties

As at the Latest Practicable Date, we leased six parcels of land and six parcels of premises in China mainly used for construction and operation of our gas stations. Lessors of such properties are entitled to lease them to us. The following table sets out a summary of the parcels of properties leased by us for gas distribution operations as at the Latest Practicable Date:

Location of Land/Premises	Location Type	Lessor	Lessee	Area (sq.m.)	Duration of lease	Annual rent (RMB)
Jingyue Station	Premises	Sun Guorong ⁽¹⁾	Changchun Sinogas	150	1 April 2017 to 31 March 2018	253,000
Jixi Station	Land	Jixi City Yongjin LPG Limited (雞西市永金液化氣有限公司)	Jixi United Strength	3,000 ⁽²⁾	31 May 2013 to 30 May 2033	700,000
Yanji Development Zone Station (Yanji Branch)	Land	Yanbian United Strength ⁽³⁾	Longjing United Strength	2,200	1 January 2017 to 31 December 2017	80,000
	Premises			928.66	1 January 2017 to 31 December 2017	
Yanji Public Transportation Station (Yanji 3rd Branch)	Land	Yanji Public Transportation Limited (延吉市公共汽車有限公司)	Longjing United Strength	200	1 September 2011 to 1 September 2026	8,000
	Premises			68.64	1 September 2011 to 1 September 2026	
Liaoyuan Longyuan Terminal Station	Land	Jilin Longyuan Liaoyuan Transport Limited (吉林龍源遼源運輸有限公司)	Hengtai Energy	3,000	1 August 2012 to 31 July 2032	300,000
Benchi Station ⁽⁴⁾	Premises	Changchun Yiqi Logistics Benchi Petroleum Products Limited (長春一汽運輸奔馳油品有限公司)	Jilin Clean Energy	30	Long term	Free
	Land			400	30 June 2016 until formal lease agreement is entered into	22,000, not payable until formal lease agreement is entered into
	Premises			10	30 June 2016 until formal lease agreement is entered into	

Notes:

- Pursuant to a confirmation letter signed by Sun Guorong on 24 April 2017, Sun Guorong undertook to continue to lease the relevant premises to Changchun Sinogas for a term of not less than five years upon expiry of the current lease in March 2018.
- We obtained planning permit of construction engineering (《建設工程規劃許可證》) and certificate of construction project planning and completion acceptance (《建設項目規劃竣工驗收合格證》) for the premises of 127.8 sq.m. built on the leased land, while we did not obtain the building ownership certificate.
- Yanbian United Strength undertook to continue to lease the relevant land and premises to Longjing United Strength for a term of not less than five years upon expiry of the current lease in December 2017.

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4. According to the confirmation letter issued by Yiqi Logistics Limited (一汽物流有限公司) (“**Yiqi Logistics**”) dated 6 January 2017, the leased land is owned by China FAW Group (中國第一汽車集團公司), which holds 100% shareholding of Yiqi Logistics. The leased premises is owned by Yiqi Logistics and is authorised for Benchi Station to use. China FAW Group authorises Yiqi Logistics to permit Jilin Clean Energy to use the land in Lvyan District for Benchi Station commencing from 30 June 2016 to the date that Jilin Clean Energy and Yiqi Logistics (or its designated party) enter into a formal lease agreement. The reason that Yiqi Logistics has not entered into lease agreement with Jilin Clean Energy is because it is processing internal adjustments and has not decided which subsidiaries will be authorised to enter into the lease agreement with Jilin Clean Energy on behalf of China FAW Group and Yiqi Logistics.

Cooperation Investment of Refuelling Stations Operation with CNPC

In accordance with the cooperation investment agreement and supplemental cooperation investment agreement (collectively the “**Cooperation Agreements**”) entered into between Beijing Chinese Petroleum Clean Energy Environmental Protection Company Limited (北京中油潔能環保有限公司) (“**Beijing Clean Energy**”), an Independent Third Party and a wholly foreign-owned enterprise, and Jilin Petroleum dated 28 March 2001 and 8 December 2004 respectively, Jilin Petroleum agreed to provide land for construction of refuelling stations including five stations currently under our operation, namely Jiefangbei Station, Changchun Road Station, Southeast Lake Station, Guigu Station and Puyang Station (together the “**Cooperated Stations**”). Jilin Clean Energy is entitled to continue to occupy the land on which Jiefangbei Station, Changchun Road Station, Southeast Lake Station, and Guigu Station were built for nil consideration; and Jilin Clean Energy was entitled to occupy the land on which Puyang Station was built up to 24 August 2014 for nil consideration. It was superseded by a lease agreement dated 25 August 2014. Please refer to the section headed “Connected transactions — Exempted continuing connected transactions — 5. Lease of land and property to our Group” in this prospectus. The following table sets out a summary of the lands use right to the Cooperated Stations as at the Latest Practicable Date:

Location of land/Premises	Location type	Area (sq.m.)	Duration of free use
Jiefangbei Station	Land	1,000	28 March 2001 to 27 March 2021
	Premises	10	28 March 2001 to 27 March 2021
Changchun Road Station	Land	1,000	28 March 2001 to 27 March 2021
	Premises	10	28 March 2001 to 27 March 2021
Southeast Lake Station	Land	2,000	28 March 2001 to 27 March 2021
	Premises	30	28 March 2001 to 27 March 2021
Guigu Station	Land	2,000	28 March 2001 to 27 March 2021
	Premises	50	28 March 2001 to 27 March 2021
Puyang Station	Land	1,000	28 June 2017 to
	Premises	100	27 March 2021

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Office and Inspection Centre

As at the Latest Practicable Date, we leased four premises in the PRC and Hong Kong for offices and operating an inspection centre. The following table sets out a summary of the premises leased to us as at the Latest Practicable Date:

Location of Premises	Use	Lessor	Lessee	Area (sq.m.)	Duration of lease	Annual rent
Erdao District of Changchun City	Office	Mr. Zhang Tao (Note 1)	Changchun Sinogas	126.69	30 August 2016 to 30 August 2026	RMB36,000
Lvyuan District of Changchun City	Office	Mr. Zhang Hongjun (Note 2)	Jilin Clean Energy	60.14	22 February 2017 to 21 February 2028	RMB10,000
Yilan Town of Yanji City	Gas cylinder inspection centre	Yanbian Jinqiu Dairy Limited (延邊金秋牧業有限公司)(“Jinqiu Dairy”) (Note 3)	Longjing United Strength	Approximately 1,000	1 October 2014 to 30 September 2025	RMB100,000
Hong Kong	Office	Regus Centre (HK) Limited (Note 4)	The Company	11.80	1 April 2017 to 31 March 2018	HK\$514,560

Notes:

1. Mr. Zhang Tao is an Independent Third Party.
2. Mr. Zhang Hongjun is an Independent Third Party.
3. The premise is owned by Grass Administration Station of Yanbian (“Grass Station”). According to the confirmation letter issued by Grass Station, it authorizes Jinqiu Dairy to enter into the lease agreement with Longjing United Strength during the period from 1 October 2014 to 30 September 2025. Both Grass Station and Jinqiu Dairy are Independent Third Party.
4. Regus Centre (HK) Limited is an Independent Third Party.

LEGAL PROCEEDINGS AND NON-COMPLIANCE MATTERS

Legal Proceedings

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

Non-compliance matters

During the Track Record Period and up to the Latest Practicable Date, our Group inadvertently failed to comply with certain regulatory requirements under the laws of the PRC. Details of them are summarised below:

Systemic Non-compliance incident	Reasons for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, and the latest status		Potential impact on our operations and financial condition
			(b) Rectification measures to prevent future breach		
<p>1 Failure to make contribution of social insurance for some of our employees</p> <p>As at 31 December 2016, we failed to make contribution of social insurance for 32 of our employees. The amounts of social insurance payments that we did not pay for the three years ended 31 December 2014, 2015 and 2016 were RMB0.4 million, RMB0.5 million and RMB0.4 million, respectively.</p>	<p>The administrative department of our Group had been responsible for overseeing our compliance with the PRC social insurance requirements and the PRC housing provident fund requirements. The non-compliance was primarily due to lack of sufficient knowledge on compliance with the relevant regulatory requirements. In addition, the relevant PRC employees were reluctant to cooperate with our PRC subsidiaries in making contribution for social insurance or housing provident fund as they did not want to bear their portion of contribution.</p>	<p>Pursuant to the Social Insurance Law of PRC (中華人民共和國社會保險法), with regard to the failure to make social contributions in full, the relevant PRC authorities shall order the employer to make the outstanding contributions within a stipulated period and impose a daily late payment surcharge equivalent to 0.05% of the overdue payment from the date on which the payment becomes due. If the employer fails to make the overdue contribution within the stipulated period, the relevant PRC authorities may impose a fine equivalent to one to three times the amount of overdue payment.</p>	<p>Our Group has contributed social insurance on the basis prescribed by laws and regulations or local policies (as appropriate) for all our eligible PRC employees since January 2017.</p> <p>Regarding the failure to make contribution of social insurance for some of our employees, we have obtained written confirmations from the respective PRC competent human resources and social security bureaus, which confirmed, among other things, that the relevant PRC subsidiaries have not been penalised for failure to make contribution for social insurance.</p> <p>However, in order to reflect the potential financial impact of such non-compliance on our Group during the Track Record Period, appropriate provisions in the sum of approximately RMB0.4 million, RMB0.5 million and RMB0.4 million have been made in respect of such non-compliance events, for each of the years ended 31 December 2014, 2015 and 2016 respectively.</p>	<p>As advised by our PRC Legal Adviser, given that the written confirmations were obtained and that our Group has contributed social insurance for all our eligible PRC employees since January 2017, the possibility of our Group being penalised for such non-compliance is relatively low.</p> <p>In addition, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to such non-compliance incident occurred or before the Listing, provided that our Controlling Shareholders will not be liable to any associated costs and expenses to the extent of any provision being made in the financial statement of the relevant members.</p> <p>Based on the above, our Directors consider that the non-compliance has no significant adverse operational and financial impact on our Group.</p>	

Systemic Non-compliance incident	Reasons for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, and the latest status	Potential impact on our operations and financial condition
<p>2. Failure to make contribution of housing provident fund for some of our employees</p> <p>As at 31 December 2016, we failed to make contribution of housing provident fund for 33 of our employees. The amounts of housing provident fund payments that we did not pay for the three years ended 31 December 2014, 2015 and 2016 were RMB0.1 million, RMB0.2 million and RMB0.1 million, respectively.</p>	<p>Please refer to item 1 above.</p>	<p>Pursuant to the Administrative Regulations on the Housing Provident Fund (住房公积金管理条例), if an employer fails to undertake payment and deposit registration of housing provident fund or fails to open housing provident fund accounts for its employees, the relevant PRC authorities shall order the employer to effect the registration and open housing provident fund accounts within a stipulated period. If the employer fails to comply with the order within the stipulated period, the relevant PRC authorities may impose a fine of not less than RMB10,000 but not more than RMB50,000.</p>	<p>Our Group has contributed housing provident fund on the basis prescribed by laws and regulations or local policies (as appropriate) for all our eligible PRC employees since January 2017.</p> <p>Regarding the failure to make contribution of housing provident fund for some of our employees, we have obtained written confirmations from the respective PRC competent housing provident fund management centres, which confirmed, among other things, that the relevant PRC subsidiaries have not been penalised for failure to make contribution for housing provident fund.</p> <p>However, in order to reflect the potential financial impact of such non-compliance on our Group during the Track Record Period, appropriate provisions in the sum of approximately RMB0.1 million, RMB0.2 million and RMB0.1 million have been made in respect of such non-compliance events, for each of the years ended 31 December 2014, 2015 and 2016 respectively.</p>	<p>As advised by our PRC Legal Adviser, given that the written confirmations were obtained and that our Group has contributed housing provident fund for all our eligible PRC employees since January 2017, the possibility of our Group being penalised for such non-compliance is relatively low.</p> <p>In addition, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to such non-compliance incident occurred or before the Listing, provided that our Controlling Shareholders will not be liable to any associated costs and expenses to the extent of any provision being made in the financial statement of the relevant members.</p> <p>Based on the above, our Directors consider that the non-compliance has no significant adverse operational and financial impact on our Group.</p>

Systemic Non-compliance incident	Reasons for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, and the latest status	Potential impact on our operations and financial condition
Systemic Non-compliance incident	Reasons for the non-compliance	Possible legal consequences and potential maximum penalties	(b) Rectification measures to prevent future breach	Potential impact on our operations and financial condition
<p>3. Failure to obtain approval of the construction project environmental impact report (環境影響評價批覆) on time</p> <p>During the Track Record Period, we failed to obtain approval for the construction project environmental impact report for five of our refuelling stations on time.</p>	<p>The administrative department of our Group responsible for overseeing our Group's compliance with environmental protection regulatory requirements. The non-compliance was primarily due to administrative oversight and lack of sufficient knowledge on compliance with laws and regulations concerning environmental protection.</p>	<p>Pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) (“Environmental Construction Regulations”), entities shall obtain approval of their construction projects from the relevant PRC environmental protection administrative authorities (“Environmental Authorities”) before commencement of the project construction. In the event of failure to file an application for approval of the construction project environmental impact report, the Environmental Authorities may order the relevant entity to file such an application for approval within a stipulated period. If the entity fails to comply with the order within the stipulated period, the relevant Environmental Authorities may order the entity to suspend its construction and may impose a fine of less than RMB100,000.</p>	<p>Approval of the construction project environmental impact report for the five refuelling stations were obtained from the Environmental Authorities as at the Latest Practicable Date. Also, regarding the failure to obtain construction project environmental impact report on time for such refuelling stations, we have obtained written confirmations from the Environmental Authorities, which confirmed, among other things, that: (i) since the establishment of the relevant entity, it has complied with the applicable environmental laws, regulations, policies and regulatory documents (collectively “environmental laws”) for its construction and operation; and</p> <p>(ii) there were no non-compliances with the applicable environmental laws leading to investigation nor penalty and there were no disputes between the Environmental Authorities and the relevant entities.</p>	<p>As advised by our PRC Legal Adviser, given that the written confirmations were obtained and that we have obtained the approval of the construction project environmental impact report for the five refuelling stations, the possibility of our Group being penalised for such non-compliance is relatively low.</p> <p>In view of the insignificant amount of the fine which may be imposed and the unlikelihood of being penalised for the possible breach, no provision was made in this regard.</p> <p>Based on the above, our Directors consider that the non-compliance has no significant adverse operational and financial impact on our Group.</p>

Systemic Non-compliance incident	Reasons for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, and the latest status	Potential impact on our operations and financial condition
<p>4. Failure to obtain approval from Environmental Authorities for completion inspection of construction project (環境保護竣工驗收) on time</p> <p>During the Track Record Period, we failed to obtain approval from Environmental Authorities for completion inspection of construction project for 23 of our refuelling stations on time.</p>	<p>Please refer to item 3 above.</p>	<p>Pursuant to the Environmental Construction Regulations, entities shall obtain approval from Environmental Authorities for completion inspection of their construction project. In the event of failure to file an application or obtain approval for completion inspection of the construction project before commencement of operation, the Environmental Authorities may order the relevant entity to suspend its operation and may impose a fine of less than RMB100,000.</p>	<p>Operation of 23 of our refuelling stations commenced before approval for completion inspection of the construction project were obtained from the Environmental Authorities. Approval for completion inspection of their construction projects were subsequently obtained as at the Latest Practicable Date.</p> <p>In view of the insignificant amount of the fine which may be imposed and the unlikelihood of being penalised for the possible breach, no provision was made in this regard.</p>	<p>As advised by our PRC Legal Adviser, given that the approval for completion inspection of the construction projects in relation to 23 of our refuelling stations were obtained as at the Latest Practicable Date, the possibility of our Group being penalised for such non-compliance is relatively low.</p> <p>Based on the above, our Directors consider that the non-compliance has no significant adverse operational and financial impact on our Group.</p>

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During the Track Record Period, the Gas Refuelling Business of Yitonghe Group and Shenyang United Strength were not involved in any material non-compliance incidents.

INTERNAL CONTROL MEASURES TO PREVENT REOCCURRENCE OF NON-COMPLIANCE INCIDENTS

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented internal procedures. Particularly, in view of the above issues in respect of social insurance and housing provident fund contributions, and environmental protection regulations, we will implement the following internal control procedures to reduce our exposure to risk of penalties from the PRC regulatory authorities in the future:

- We will maintain a list of certificates, licenses and filings that are required in order for us to commence operation of a refuelling station and will update this list from time to time based on our experience with local authorities and advice from our external advisers;
- As an internal control measure, we will monitor the attainment of licenses and filings against the list referred to above and ensure that all relevant licences and filings are obtained prior to the formal operation of any refuelling station;
- We will engage a qualified PRC law firm as our external legal adviser to assist our Board to identify and manage the legal risks associated with our daily operations and advise us on relevant regulatory matters to ensure due compliance with PRC laws, rules and regulations applicable to our Group;
- We have designated Mr. QG Wang, our executive Director, to assist our Board to perform internal review of our operations, and identify, assess and manage the risks associated with our operations from time to time to ensure due compliance with laws, rules and regulations in the PRC. Please refer to the section headed “Directors and senior management — Directors — Executive Directors” in this prospectus for the details of Mr. QG Wang’s experience;
- We will establish the Audit Committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules, led by Mr. Lau Ying Kit. The Audit Committee and one of our executive Directors will supervise the implementation of our internal control measures in order to better monitor our daily operations from the perspective of compliance with applicable rules and regulations;
- We have established a set of policies and procedures for operational processes, including production, investment and financial management;
- We have established a corporate governance policy and will, from time to time, review the internal guidelines and policies by taking into account of related laws and regulations and make any amendment and implement them as necessary; and

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- We will continue to conduct regular internal training to our employees and management on our compliance policy and engage external professionals, including our Hong Kong legal advisers and PRC legal advisers, to conduct training on our ongoing compliance and obligations under the Listing Rules and all other Hong Kong and PRC regulations annually to ensure awareness and compliance of the policies.

In light of the nature of, and reasons for, the historical non-compliance incidents, and on the basis of the rectification measures taken, our Directors believe, and the Sole Sponsor has no reason to doubt, that the enhanced internal control measures are not reasonably adequate and effective to address the incidents of non-compliance as set out above and the non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rule 3.08 and Rule 3.09 of the Listing Rules nor our suitability for Listing under the Listing Rules having taken into account that: (i) our Group has fully rectified all of the non-compliance incidents, if practicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; and (iii) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors.

RISK MANAGEMENT

We are exposed to various risks during our operation. For more details, please refer to the section headed “Risk factors” in this prospectus. We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including administration of daily operations, financial reporting and recording, treasury management, compliance with applicable laws and regulations on environmental protection, and operation safety. Our Board oversees and manages the overall risks associated with our operations. We have established the Audit Committee to review and supervise the financial reporting process and internal control system of our Group. Please refer to the section headed “Directors and senior management” in this prospectus for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our Audit Committee.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Golden Truth will directly hold approximately 55.5% of the issued share capital of our Company. Golden Truth is wholly owned by Mr. Zhao, being one of our founders, an executive Director and the Chairman. For the purpose of the Listing Rules, Golden Truth and Mr. Zhao are the Controlling Shareholders of our Company as at the Latest Practicable Date.

Our Controlling Shareholders and Directors confirm that save as disclosed in this section, none of them or their respective close associates has any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DELINEATION OF BUSINESSES AND COMPETITION

Business of our Group

As at the Latest Practicable Date, our Group's business activities include the sales of natural gas in the form of CNG and LNG to vehicular end-users by operating CNG stations, LNG stations and mixed fuelling station which sells CNG and LNG, i.e. Gas Refuelling Business, in Jilin and Heilongjiang Provinces. Prior to the Reorganisation, our Group's Gas Refuelling Business was developed under Changchun Yitonghe and most of our Group's Gas Refuelling Business was operated by our PRC Operating Subsidiaries which were then owned or controlled by Changchun Yitonghe (except Changchun Sinogas which was wholly owned by China Source BVI immediately before the Reorganisation).

Business of United Strength Investment Group

As at the Latest Practicable Date, United Strength Investment was owned as to 74%, 15%, 10% and 1% by Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang, respectively. Mr. Zhao had been a director of United Strength Investment up to 17 March 2017. The United Strength Investment Group has been principally engaged in the storage, processing and wholesale of oil and petroleum, the Petroleum Refuelling Business and investment business. During the Track Record Period:

- (a) Shenyang United Strength Investment Management Company Limited (瀋陽眾誠投資管理有限公司) (“**Shenyang United Strength**”), a company owned as to 26.7% by United Strength Investment, and Mr. Zhao and Mr. Liu (both being our executive Directors) are directors of Shenyang United Strength, had, under agreements signed with Independent Third Parties, being entrusted with the operation and management of Petroleum Refuelling Business and/or Gas Refuelling Business at two refuelling stations. To avoid possible confusion and potential competition, Shenyang United Strength ceased operation of both refuelling stations on 30 November 2016;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) Changchun Longxing, a company owned as to 99% by United Strength Investment, and Mr. Zhao and Mr. Liu (both being our executive Directors) are directors of Changchun Longxing, had supplied LPG to our Group for our Gas Refuelling Business. During the Track Record Period and up to the Latest Practicable Date, it has been principally engaged in the business of manufacturing and supply of gas (not for automobiles), and it has not engaged in the Gas Refuelling Business. The permitted business scope of Changchun Longxing will not include Gas Refuelling Business and our Controlling Shareholders have given non-competition undertakings in favour of our Group.

Save and except the previous involvements of Shenyang United Strength in the Gas Refuelling Business as disclosed above, during the Track Record Period and as at the Latest Practicable Date, Shenyang United Strength, Changchun Longxing and other members of the United Strength Investment Group did not engage in the Gas Refuelling Business.

Business of Yitonghe Group

As at the Latest Practicable Date, Changchun Yitonghe was owned as to 74%, 15%, 10% and 1% by Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang, respectively. Mr. Zhao and Mr. QG Wang had been directors of Changchun Yitonghe up to 17 March 2017. Save as disclosed below, Yitonghe Group is principally engaged in the Petroleum Refuelling Business, sales of petroleum products and other petroleum-related businesses. During the Reorganisation, majority of our PRC Operating Subsidiaries (including Jilin Clean Energy (as to 51% of its equity interest then owned by Changchun Yitonghe), Wuchang Gas, Hengtai Energy, Jilin Dongkun Gas, Jixi United Strength (indirect wholly owned by Changchun Yitonghe through HLJ Shengshi Energy prior to the Reorganisation) and Longjing United Strength which owned Yanbian United Strength (as to 60% equity interest) and YB Xinyuan Natural Gas), engaging in the Gas Refuelling Business, together with the refuelling stations registered under such subsidiaries, were transferred by Changchun Yitonghe to our Group.

Reasons for not including the Petroleum Refuelling Business of Yitonghe Group in our Group

Yitonghe Group is principally engaged in the Petroleum Refuelling Business, while our Group focuses only on the Gas Refuelling Business. The primary reasons for not including the Petroleum Refuelling Business of Yitonghe Group are as follows:

- (i) the competition in the market of the Petroleum Refuelling Business is more intense than the competition faced by our Group for the Gas Refuelling Business. According to the F&S Report, the primary focus of the Big Three Oil Giants in Jilin Province was on the development of the Petroleum Refuelling Business, and comparatively, the scale of their Gas Refuelling Business is relatively small;
- (ii) the business prospects and risk profile of Yitonghe Group's Petroleum Refuelling Business are substantially different from our Gas Refuelling Business. In particular, according to F&S, the development of the Petroleum Refuelling Business is relatively mature and witnessed a decelerating growth, while the Gas Refuelling Business faces a faster growth trend amid the current promotion of environmental protection and green energy; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) our Gas Refuelling Business has higher gross profit margin than Yitonghe Group's Petroleum Refuelling Business during the Track Record Period and also a higher growth potential while Yitonghe Group's Petroleum Refuelling Business is more mature and sizeable. Our Directors believe that in terms of investment prospect, Yitonghe Group's Petroleum Refuelling Business and our Group's Gas Refuelling Business appeal to different groups of potential investors.

Taking into consideration all the above factors, our Directors considered that it is not in the best interest of our Group and its Shareholders as a whole to include the Petroleum Refuelling Business of Yitonghe Group in our Group.

In addition, our Directors consider that our Group should be listed without Yitonghe Group's Petroleum Refuelling Business on the following grounds:

- *Business delineation:* Our Group focuses on Gas Refuelling Business and Yitonghe Group focused on Petroleum Refuelling Business and petroleum related business, respectively. The supply and costs mechanism as well as the market of distribution are different. Vehicles with gasoline-powered engines and vehicles with LPG or natural gas engines are not replaceable with each other.
- *Management Independence:* Our Group has its own management team to carry out the business and operations, including business development, marketing and sales operations, which will operate separately and independently from the Yitonghe Group and our Controlling Shareholders.
- *Administrative capability:* The administrative capabilities of our Group are independent from our Controlling Shareholders, and our Group will carry out all essential administrative functions without the involvement of the Yitonghe Group and our Controlling Shareholders.
- *Clear commercial benefit for our Group:* The proposed Listing will enhance value of our Group. The proposed Listing of our Group independently from its Controlling Shareholders and Yitonghe Group will create two groups of companies having different growth paths, business strategies and risks profile and will offer investors with an opportunity to participate in the future development of our Group.

Notwithstanding that Yitonghe Group's Petroleum Refuelling Business was not included in our Group, as such business was profit-making (based on the information available to our Company) during the three years ended 31 December 2016, our Directors believe that even if Yitonghe Group's Petroleum Refuelling Business had been included in our Group, our Company would have been able to comply with the profit test requirement under Rule 8.05(1)(a) of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately before the Reorganisation, our Director and/or our Controlling Shareholders and their close associates had interest (having such meaning ascribed in the notes to Rule 8.10(1) and (2) of the Listing Rules) in several companies and businesses (through the interest in Changchun Yitonghe or China Source BVI) relating to our Group’s business, i.e. the Gas Refuelling Business, or gas-related businesses. These include:

(a) Companies and refuelling stations which were permitted to engage and/or had previously engaged in the Gas Refuelling Business

The following include companies and refuelling stations whose permitted scope of business included and/or had previously engaged in the Gas Refuelling Business, but has ceased to operate the Gas Refuelling Business or has terminated its operation entirely. To avoid possible confusion and potential competition between their businesses and that of our Group, either (i) the respective permitted scope of business of these entities were changed to remove the engagement in the Gas Refuelling Business or (ii) these entities were deregistered. The name, particulars of ownership, previous operation and current status and particulars or mode of exclusion of each of the relevant companies and refuelling stations are set out below:

	Name of company/ refuelling station	Owned and operated/owned by	Directorship held by our Director and/or the relevant Controlling Shareholders and their close associates	Previous operation and current status	Reasons for exclusion	Particulars or mode of exclusion
(i)	Changchun Yitonghe Petroleum Distribution Company Limited United Strength Chain Lingdong Refuelling Station (長春伊通河石油經銷有限公司眾誠連鎖嶺東加油站) (“Yitonghe Lingdong Station”)	Registered under Changchun Yitonghe	Mr. Zhao: a director of Changchun Yitonghe until 17 March 2017 Mr. QG Wang: a director of Changchun Yitonghe until 17 March 2017	Previously engaged in the Gas Refuelling Business from January 2014 to August 2015; currently engaged in the operation of petroleum related business.	As a result of the tightened regional licensing requirement issued in 2014, the equipment used for the gas refuelling station operation of Yitonghe Lingdong Station was removed due to the stringent requirement for safety distance between the gas offloading columns and other facilities such as storage cylinders. Therefore, Yitonghe Lingdong Station has ceased its gas refuelling station operation since August 2015.	The permitted scope of business of the refuelling station was approved on 2 December 2016 to remove the engagement of the Gas Refuelling Business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	Name of company/ refuelling station	Owned and operated/owned by	Directorship held by our Director and/or the relevant Controlling Shareholders and their close associates	Previous operation and current status	Reasons for exclusion	Particulars or mode of exclusion
(ii)	Changchun Yitonghe Petroleum Distribution Company Limited United Strength Chain Jiaodian Refuelling Station (長春伊通河石油 經銷有限公司眾誠連鎖 交電加油站)	Registered under Changchun Yitonghe	Mr. Zhao: a director of Changchun Yitonghe until 17 March 2017 Mr. QG Wang: a director of Changchun Yitonghe until 17 March 2017	Previously engaged in the Gas Refuelling Business from December 2008 to December 2013. The station was demolished and ceased operation in December 2013.	As a result of the change in urban planning by the governmental authorities, the refuelling station has been demolished for road-widen works.	The registration of the refuelling station was cancelled on 14 November 2016.
(iii)	Changchun Yitonghe Petroleum Distribution Company Limited United Strength Chain Lvbaio Refuelling Station (長春伊通河石油 經銷有限公司眾誠連鎖 綠保加油站)	Registered under Changchun Yitonghe	Mr. Zhao: a director of Changchun Yitonghe until 17 March 2017 Mr. QG Wang: a director of Changchun Yitonghe until 17 March 2017	Previously engaged in the Gas Refuelling Business from September 2004 to September 2012. The station was demolished and ceased operation in September 2012.	As the landlord did not renew the rental arrangement for the land on which the station now located, the refuelling station has been demolished and has ceased operation.	The permitted scope of business of the refuelling station was approved on 27 February 2017 to remove the Gas Refuelling Business.
(iv)	Changchun Yitonghe Petroleum Distribution Company Limited United Strength Chain Benchi Refuelling Station (長春伊通河石油 經銷有限公司眾誠連鎖 奔馳加油站) (“Yitonghe Benchi Station”)	Registered under Changchun Yitonghe	Mr. Zhao: a director of Changchun Yitonghe until 17 March 2017 Mr. QG Wang: a director of Changchun Yitonghe until 17 March 2017	(note 1)	The refuelling station under the name of Yitonghe Benchi Station has ceased operation and it was deregistered. However, the station is currently in operation under our Group.	The registration of the refuelling station was cancelled on 25 November 2016.
(v)	Linjiang City United Strength Energy Development Company Limited (臨江市眾誠能 源發展有限公司)	Wholly-owned by Changchun Yitonghe	Mr. Zhao: a director until the deregistration of the company	Business has not yet commenced, and licences and/or approvals for the operation of the Gas Refuelling Business has not been obtained. According to its business licence, it was permitted to engage in the Gas Refuelling Business.	Business has not been commenced.	The company was deregistered on 12 January 2017.

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	Name of company/ refuelling station	Owned and operated/owned by	Directorship held by our Director and/or the relevant Controlling Shareholders and their close associates	Previous operation and current status	Reasons for exclusion	Particulars or mode of exclusion
(vi)	Changchun Yitonghe Petroleum Distribution Company Limited United Strength Chain Jiatai Gas Refuelling Station (長春伊通河石油 經銷有限公司眾誠連鎖 嘉泰加氣站) (“Yitonghe Jiatai Gas Refuelling Station”)	Registered under Changchun Yitonghe	Mr. Zhao: a director of Changchun Yitonghe until 17 March 2017 Mr. QG Wang: a director of Changchun Yitonghe until 17 March 2017	Previously engaged in the Gas Refuelling Business from July 2009 to August 2013.	The refuelling station has been demolished and has ceased operation.	(note 2)

Notes:

- From January 2014 to June 2016, Changchun Yitonghe entrusted our Group (through Longjing United Strength) with the right to operate and manage the Gas Refuelling Business at the refuelling station. Since July 2016, the refuelling station has been directly operated by Jilin Clean Energy. As at the Latest Practicable Date, the refuelling station was registered under Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited Changchun Benchi Gas Refuelling Station (吉林中油潔能環保有限責任公司長春奔馳加氣站).
- As a result of the change of permitted usage of land by the governmental authorities, Yitonghe Jiatai Gas Refuelling Station has been demolished and has ceased operation. Yitonghe Group is in the course of negotiation with the relevant governmental authorities for proposed compensation to be made by the government. It is currently the intention of our Group and Yitonghe Group that application for deregistration of Yitonghe Jiatai Gas Refuelling Station will be proceeded after compensation (if any) is received. To protect our Group’s interest, our Controlling Shareholders have executed the Deed of Non-competition in favour of our Group, pursuant to which our Controlling Shareholders have warranted, represented and undertaken to our Company that Yitonghe Jiatai Gas Refuelling Station had ceased operation, and that it would not be engaged in the Gas Refuelling Business or any other business activities. For details of the Deed of Non-competition, please refer to the paragraph headed “Competition and conflict of interests — Undertakings given by Controlling Shareholders” in this section.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(b) Companies not permitted to engage in the Gas Refuelling Business but are/were engaged in gas-related business

The following includes companies whose permitted scope of business does not include and/or have not engaged in the Gas Refuelling Business but are/were engaged in gas-related business, such as the manufacturing, supply or sale of gas for industrial use and does not involve the sale or supply of gas for vehicles or the Gas Refuelling Business. Our Directors consider that it is not in the best interest of our Shareholders if our Group allocates resources, management effort and expertise on activities outside the core business of our Group. As such, in order for our Group to focus on the Gas Refuelling Business, such companies will not be included in our Group for the purpose of the Listing. To avoid future potential competition between the businesses of these entities and that of our Group, either (i) these entities were deregistered, (ii) the respective permitted scope of business of these entities will not be changed to include the engagement of Gas Refuelling Business, or (iii) the respective permitted scope of business of these entities were changed to avoid any confusion or indication that such entities are permitted to engage in Gas Refuelling Business. Further, our Controlling Shareholders have executed the Deed of Non-competition, pursuant to which our Controlling Shareholders have given non-competition undertakings that these entities or such other entities under their control will not be engaged in the Gas Refuelling Business. The name, particulars of ownership, principal businesses and particulars or mode of exclusion of each of the relevant companies are set out below:

	Name of company	Established/owned and operated by	Directorship held by our Director and/or the relevant Controlling Shareholders and their close associates	Principal business	Particulars or mode of exclusion
(i)	Jilin Chinese Petroleum Clean Energy Storage and Transportation Company Limited (吉林中油潔能儲運有限公司) (“ Jilin Storage and Transportation ”)	Wholly owned by Changchun United Strength Gas Storage and Transportation Company (長春眾誠燃氣儲運有限公司) (a company owned as to 42.5% by Changchun Yitonghe)	—	Principally engaged in the business of manufacturing and supply of gas (not for automobiles), storage. It has not engaged in the Gas Refuelling Business.	The permitted business scope will not be amended to include Gas Refuelling Business and our Controlling Shareholders have given non-competition
(ii)	Jilin Province Songyuan Petrochemical Company Limited (吉林省松原石油化工有限公司)	Owned as to 97.87% by Changchun Yitonghe	Mr. Zhao: a director of Changchun Yitonghe until 17 March 2017 Mr. QG Wang: a director of Changchun Yitonghe until 17 March 2017	Engaged in the business of, among others, the production and sale of liquefied petroleum gas for industrial use.	undertakings in favour of our Group.

Changchun Sinogas Company, Ltd. Nong’an Mother Station Branch Company (長春中油潔能燃氣有限公司農安母站分公司), i.e. Nong’an Mother Station, had been a branch company of Changchun Sinogas up to its deregistration on 6 March 2017. Prior to such deregistration, Nong’an Mother Station

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

had been operated and managed by Changchun Yitonghe to engage in processing and handling of natural gas, and it had not engaged in the Gas Refuelling Business. In December 2016, assets (including production facility, property, machinery, equipment and vehicles) in relation to Nong'an Mother Station's business were sold to various Independent Third Parties. For further details, please refer to the section headed "History, reorganisation and development — Change in registered or issued capital and/or equity holders of members of our Group — Disposals during the Track Record Period and up to the Latest Practicable Date".

(c) Mixed Refuelling Stations in operation (Yitonghe Entrusted Refuelling Stations and Group Entrusted Refuelling Stations)

As at the Latest Practicable Date, Changchun Yitonghe owned and operated five Mixed Refuelling Stations, whereby the gas refuelling stations (which operate the Gas Refuelling Business) are operated beside the petroleum refuelling stations (which operate the Petroleum Refuelling Business) at the same site; and our Group owned two Mixed Refuelling Stations. Notwithstanding that the two types of refuelling stations are located at an area beside each other at the same site, the operation of the Gas Refuelling Business by our Group and the operation of the Petroleum Refuelling Business of Yitonghe Group are separate from and independent of each other: each type of business operated at the Mixed Refuelling Stations (i) uses different refuelling equipment; (ii) is operated by separate team of personnel; (iii) adopts different book-keeping systems; and (iv) separately engages fuel transportations service providers and procures fuel from different suppliers. A gas refuelling transaction conducted using gas refuelling equipment will only be recorded separately as data of the Gas Refuelling Business in the transaction recording system of the Gas Refuelling Business at the Mixed Refuelling Station. To avoid future potential competition between our Group and the Yitonghe Group and allow our Group to focus on the Gas Refuelling Business:

- (i) during the period from October 2013 to May 2015, Changchun Yitonghe entered into seven separate entrustment agreements to entrust our Group (through Longjing United Strength) with the right to operate and manage the Gas Refuelling Business at the seven Mixed Refuelling Stations ("**Yitonghe Entrusted Refuelling Stations**"), respectively, while Changchun Yitonghe continued to operate and manage the Petroleum Refuelling Business at such Mixed Refuelling Stations. As at the Latest Practicable Date, among the seven Yitonghe Entrusted Refuelling Stations, a station (the Yitonghe Lingdong Station) has ceased to engage in the Gas Refuelling Business and another station (the Yitonghe Benchi Station) was deregistered;
- (ii) on 31 October 2013 and 1 April 2015, each of Longjing United Strength and Hengtai Energy separately entered into an entrustment agreement to entrust Changchun Yitonghe with the right to operate and manage the Petroleum Refuelling Business at the two Mixed Refuelling Stations ("**Group Entrusted Refuelling Stations**"), respectively, while our Group continued to operate and management the Gas Refuelling Business at such Mixed Refuelling Stations.

In view of the Listing of our Company and to replace the then existing individual entrustment agreements, the Gas Business Entrustment Agreement and the Petroleum Business Entrustment Agreement have been entered into, pursuant to which: (aa) Changchun Yitonghe (as entrusting party)

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and Changchun Sinogas (as operating party) entered into the Gas Business Entrustment Agreement in relation to the entrustment of the Gas Refuelling Business to our Group at the Yitonghe Entrusted Refuelling Stations; and (bb) Longjing United Strength and Hengtai Energy (as entrusting parties) and Changchun Yitonghe (as operating party) entered into the Petroleum Business Entrustment Agreement in relation to the entrustment of the Petroleum Refuelling Business to Changchun Yitonghe at the Group Entrusted Refuelling Stations.

In addition to the entrustment arrangements, under the Gas Business Entrustment Agreement, Changchun Yitonghe (as option grantor and potential seller) granted Changchun Sinogas (for itself and on behalf of other members of our Group) (as the option grantee and potential purchaser) an option to purchase the Gas Refuelling Business of the Yitonghe Entrusted Refuelling Stations, and the assets, property, land (if such property and/or land are so owned by Changchun Yitonghe) and equipment related to its operation. The consideration shall be determined based on arm's length negotiations between our Group and Changchun Yitonghe and having regard to various factors, including but not limited to the relevant and applicable requirements under the PRC laws and regulations then in force, the then prevailing market conditions, tax implications on our Group and the net asset value or fair value of the assets to be acquired. The exercise of the option is conditional upon the applicable laws, regulations and/or policies of the governmental authorities or public agencies of the PRC allowing the operation of the Gas Refuelling Business at the Yitonghe Entrusted Refuelling Stations be conveniently separated from the operation of the Petroleum Refuelling Business at such stations and transferred to Changchun Sinogas (or such member of our Group as the purchaser), including the separation of and transfer under the name of Changchun Sinogas (or such member of our Group as purchaser) the licence, permits and approval documents, assets, property, land and equipment for operating the Gas Refuelling Business, without causing any material adverse effect to the daily operation of the potential purchaser. The option is exercisable under the supervision by the Board of our Company (via Changchun Sinogas or other member of our Group) within one year from the date such PRC legal requirements as stated above could be fulfilled.

For details of the Gas Business Entrustment Agreement and the Petroleum Business Entrustment Agreement, please refer to the section headed "Connected transactions — Exempted continuing connected transactions" in this prospectus.

(d) Companies that own Mixed Refuelling Stations not yet put into operation

The permitted scope of business of the following companies ("**Mixed Business Companies**") include the operation of Gas Refuelling Business and Petroleum Refuelling Business alongside each other in Mixed Refuelling Stations. The refuelling stations of such companies are still in construction and/or not yet put into operation. As the applications for construction and operation of the Mixed Refuelling Stations were made before Yitonghe Group implemented separate operation and management of its Gas Refuelling Business and Petroleum Refuelling Business in September 2013, and such applications were approved on the basis that the business of distribution of gas and petroleum would be mixed and consolidated at the same site, separation or segregation of the mixed business, notwithstanding that this is permissible under the relevant PRC legal and policy requirement, is unduly burdensome and involves complicated administrative steps of having to re-compliance with the approval procedures and requirements as set out in the section headed "Connected transactions —

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Exempted continuing connected transactions — 3. Entrustment of our Group for operation and management of Gas Refuelling Business” in this prospectus. As a result, such companies are not included in our Group for the Listing. In order to protect the interest of our Group, the Controlling Shareholders have executed the Deed of Non-competition, pursuant to which:

- (i) where:
 - (aa) the Mixed Business Companies (or any of them) have obtained separate and respective licences for the Gas Refuelling Business and Petroleum Refuelling Business;
 - (bb) if there is a change in the relevant PRC legal and policy requirements which expedite or facilitate the Separate Companies Arrangement (as defined below) in a less time and cost consuming manner, involving less uncertainties and without causing any material adverse effect to the daily operation of our Group; and
 - (cc) at the request of our Company for implementing the Separate Companies Arrangement and purchase of the New Gas Company (as defined below);

our Controlling Shareholders have undertaken that they will procure that the licences for the Gas Refuelling Business and the licences for the Petroleum Refuelling Business be separately held by different companies (i.e. a company (“**New Gas Company**”) holding the licences for the Gas Refuelling Business and a company (“**New Petroleum Company**”) holding the licences for the Petroleum Refuelling Business) (“**Separate Companies Arrangement**”), and that the New Gas Company (to the extent of the interest directly or indirectly owned by Changchun Yitonghe) be sold and transferred to our Group at cost or such lowest possible consideration (to be determined based on arm’s length negotiations between our Group and Changchun Yitonghe and having regard to various factors, including but not limited to the relevant and applicable requirements under the PRC laws and regulations then in force, the then prevailing market conditions, tax implications on our Group and the net asset value or fair value of the New Gas Company to be acquired) as allowed under the applicable PRC laws and regulations and the Listing Rules; and

- (ii) on the other hand, if the steps required to be taken to achieve the Separate Companies Arrangement under the PRC legal and policy requirements then prevailing can only be implemented in a time and cost consuming manner, involving uncertainties and/or causing material adverse effect to the daily operation of our Group, our Controlling Shareholders also granted an option to our Group, whereby our Group (at the sole discretion of the Board of our Company) shall be entitled to decide not to implement such separation of different companies and, based on its assessment of various factors (including but not limited to the potential liability of our Group in pursuing each option, the results of due diligence on the Mixed Business Companies to be acquired, and the interests of the Shareholders as a whole), either (aa) acquire the Mixed Business Companies, which are allowed to operate both the Gas Refuelling Business and Petroleum Refuelling Business (to the extent of the interest directly or indirectly owned by Changchun Yitonghe), and in return our Group shall enter into an entrustment agreement with Changchun Yitonghe (or the nominee(s)) to entrust them with the right to operate and manage business activities unrelated to and not

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constituting the Gas Refuelling Business; or (bb) the Mixed Business Companies remain to be owned by Changchun Yitonghe (and/or their then existing shareholders) and our Group shall be entrusted the right to exercise the exclusive operation right to engage in the Gas Refuelling Business then permitted to be operated by the Mixed Business Companies at the Mixed Refuelling Stations. Such option may be exercised by the Board of our Company at any time during the period commencing (xx) the Listing Date or (yy) the date of the commencement of operation of the Mixed Refuelling Stations, whichever is earlier, and expiring on the last date of the Relevant Period (as defined in the paragraph headed “Competition and conflict of interests — Undertakings given by Controlling Shareholders — Relevant Period” in this section below).

The name, particulars of ownership, principal businesses and particulars or mode of exclusion of each of the Mixed Business Companies are set out below:

	Name of Mixed Business Company	Established/owned and operated by	Directorship held by our Directors and/or the relevant Controlling Shareholders and their close associates	Principal business	Particulars or mode of exclusion
(i)	Jilin Haotuo	Wholly owned by Changchun Yitonghe	Mr. Liu: a director	Include both Gas Refuelling Business and Petroleum Refuelling Business, currently intend to construct two Mixed Refuelling Stations. <i>(note)</i>	Our Controlling Shareholders will give undertaking as stated above.
(ii)	HEB Shengshi Energy	Indirectly owned as to 90% by Changchun Yitonghe	—	Permitted scope of business included construction and operation of Mixed Refuelling Station, currently has not commenced business. <i>(note)</i>	

Note: As HEB Shengshi Energy has only submitted application for preliminary approvals and the relevant authorities have not yet issued the relevant approvals such as those relating to location planning approval, our Directors preliminarily expected that one to two Mixed Refuelling Station(s) will be constructed, this, however, is subject to the location planning approved for HEB Shengshi Energy to construct such station(s) and the approvals to be granted by the relevant authorities. As the time required for (i) obtaining relevant approvals and (ii) completing the construction of Mixed Refuelling Stations are relatively unpredictable, we are not certain as to the time when Jilin Haotuo or HEB Shengshi Energy will commence operations.

Save and except the arrangement set out above, we do not expect to engage in the operation of Mixed Refuelling Stations with our Controlling Shareholders or companies controlled by them (including the Yitonghe Group). We have no intention to operate any Mixed Refuelling Stations with any other parties other than our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Delineation of Business

Our Directors are of the view that, for the reasons set forth below, there is clear delineation of business between our Group and Yitonghe Group.

Customers, Products and Market Separation

As at the Latest Practicable Date, our Group focused on Gas Refuelling Business and Yitonghe Group focused on Petroleum Refuelling Business, respectively. Differing from the traditional petroleum used by vehicles with gasoline-powered engines, CNG and LPG run with CNG-combusted and LPG-combusted engines, respectively. In respect of the supply and costs mechanism, energy efficiency of gas engines and environmental-friendliness, the market of the distribution of CNG/LPG and that of petroleum/oil are different. Vehicles with gasoline-powered engines can only be fuelled by petroleum or oil; while vehicles with LPG or natural gas engines can only be fuelled by gas; and they are not replaceable with each other. Vehicle end-users will also have to bear additional costs for converting gasoline-powered engines to LPG or natural gas engines or bi-fuel engines. It is therefore unlikely that Yitonghe Group could feasibly compete with us or solicit our customer base, being mostly vehicle end-users with vehicles running on CNG/LPG.

Directors' View on Non-Competition

In light of the foregoing factors, and (i) the steps taken under the Reorganisation to exclude entities with potential future competition between the businesses of Yitonghe Group and that of our Group and (ii) the Deed of Non-competition given by the Controlling Shareholders in favour of our Company, our Directors are of the view that there is no or minimal competition between our Group and Yitonghe Group, and that there is clear delineation of businesses between our principal business and the business of Yitonghe Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section and the section headed “Connected transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management independence

Our Board comprises four executive Directors and three INEDs. Mr. Zhao, one of our executive Directors, is one of our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require (among other things) that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. If there is a

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Apart from our executive Directors who oversee the daily operations of our Group, we have an independent management team to carry out the business decisions of our Group and to perform all essential management functions without unduly requiring the support of our Controlling Shareholders. Our INEDs have sufficient and competent industry knowledge and experience, and will bring independent judgment to the decision making process of our Board, taking into account the advice of the senior management of our Group.

Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Business independence

During the Track Record Period:

- (a) Changchun Longxing (a 99%-owned subsidiary of United Strength Investment) and Jilin Storage and Transportation (a close associate of Changchun Yitonghe) supplied LPG to our Group for our Gas Refuelling Business.
- (b) Some of our CNG suppliers are under common control of the same holding company of Jilin Petroleum (a substantial shareholder of Jilin Clean Energy) include (i) PetroChina Kunlun Gas Co., Ltd. Jilin City Changyi District Branch Company (中石油昆仑燃氣有限公司吉林市昌邑區分公司), a branch company of PetroChina Kunlun Gas Co., Ltd. (中石油昆仑燃氣有限公司) (“**PetroChina Kunlun**”), which is an indirect wholly owned subsidiary of PetroChina Natural Gas; (ii) PetroChina Company Limited Liaohe Oilfield Branch Company (中國石油天然氣股份有限公司遼河油田分公司), a branch company of PetroChina Natural Gas; (iii) Harbin PetroChina Kunlun Vehicle Gas Company Limited (哈爾濱中石油昆仑車用天然氣有限公司), a subsidiary of PetroChina Kunlun; and (iv) China Petroleum Transportation Company Limited Jinzhou Branch Company (中國石油天然氣運輸公司錦州分公司), a branch company of China Petroleum Transportation Company Limited (中國石油天然氣運輸公司). During the Track Record Period, the total procurement cost incurred with such CNG suppliers were approximately RMB30,000, RMB1.0 million, RMB9.5 million and RMB1.4 million, respectively.

As at the Latest Practicable Date, we have ceased to procure CNG from the above companies and instead source from suppliers which are Independent Third Parties. With the aim to (i) reduce transactions with the related parties; and (ii) further diversify our source of fuel supply, as at the Latest Practicable Date, we have ceased to procure CNG or LPG from the above companies and instead source from suppliers which are Independent Third Parties. Our Directors believe that the replacement of such suppliers with independent suppliers will not have a material adverse effect on our business operation and the supply of gas has remained stable. During the Track Record Period,

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China Petroleum Transportation Company Limited Northeastern Gas Transportation Branch Company (中國石油天然氣運輸公司東北燃氣運輸分公司), a branch company of China Petroleum Transportation Company Limited, also provided fuel transportation services to us. During the Track Record Period, the total transportation services fees paid by us to such company were approximately RMB0.4 million, RMB0.07 million, nil and nil, respectively. For the year ended 31 December 2016, we had also supplied a trivial amount of CNG to a member of the PetroChina group.

Save as disclosed above and for the related party transactions disclosed in note 26 of the accountants' report set out in Appendix I to this prospectus and the connected transactions disclosed in the section headed "Connected transactions" in this prospectus, there were no material business dealings between our Group and the Controlling Shareholders during the Track Record Period.

Save and except the entrustment arrangements as disclosed above and Mixed Refuelling Stations whereby Gas Refuelling Business and Petroleum Refuelling Business were operated next to each other on the same property and/or land, during the Track Record Period and up to the Latest Practicable Date, our Group and our Controlling Shareholders did not have any overlapping facilities or resources. Save as disclosed in the section headed "Business — Raw materials and our suppliers", neither our Controlling Shareholders nor any of their respective close associates is a supplier or an intermediary for our Group's supplies. We have independent access to our customers. Our Directors believe that our Group has not unduly relied on our Controlling Shareholders or their respective close associates to carry on its business during the Track Record Period.

Financial independence

During the Track Record Period, we principally financed our operations through a combination of paid-in capital and retained earnings. Save as disclosed below, we have not obtained borrowings from our Controlling Shareholders and their respective close associates. As at the year-end or period-end during the Track Record Period:

- (a) approximately RMB9.2 million, RMB3.7 million, RMB8.3 million and RMB31.6 million were respectively due from us to our Controlling Shareholders and their respective close associates, in respect of which no interest was carried. Such amounts owing to them represented (i) the operating results of the Group Entrusted Refuelling stations; (ii) advances from HEB Shengshi Energy to our Group; (iii) costs incurred in connection with the proposed Listing paid by Mr. Zhao for our Group; and (iv) as at 31 March 2017, the amounts owing represented the consideration for the disposal of 61.32% of the equity interest in Jilin Jiahong and the assets operated under Nong'an Mother Station, which are payable to Changchun Yitonghe as Jilin Jiahong and Nong'an Mother Station had not engaged in the Group's Gas Refuelling Business and they were excluded from our Group during the Track Record Period. Details of such disposals are set out in the section headed "History, reorganisation and development — Change in registered or issued capital and/or equity holders of members of our Group — Disposals during the Track Record Period and up to the Latest Practicable Date" in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) there were outstanding loans of approximately RMB48.8 million, RMB20 million, RMB15 million and nil; for the loan outstanding as at 31 December 2014, a loan of RMB30 million was secured by guarantee provided by Changchun Yitonghe and share pledge of the entire equity interest in Longjing United Strength by Changchun Yitonghe; for the loan outstanding as at 31 December 2015, it was secured by guarantee provided by Changchun Yitonghe; for the loan outstanding as at 31 December 2016, it was secured by guarantee provided by Changchun Yitonghe and Mr. Zhao; as at the Latest Practicable Date, all of the above loans have been repaid, and the relevant securities have been released or discharged. Our Group had obtained a bank loan in the amount of RMB15.0 million in July 2017, which had been fully utilised as at 31 August 2017, and no guarantees or securities were provided by our Controlling Shareholders or their respective close associates.

Upon Listing, all loans, advances and balances due to and from our Controlling Shareholders and their respective close associates will be fully settled.

Save as disclosed above, our source of funding is independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting and internal control systems, independent treasury function for receiving cash and making payments and we had independent access to third party financing. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders and their respective close associates.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective close associates by virtue of their provision of financial assistance.

Operational independence

Our Group has our own management team to carry out our business and operations, including business development, marketing and sales operations, which will operate separately and independently from our Controlling Shareholders. Such management team comprises managers who have considerable experience in the Gas Refuelling Business. Our Group does not rely on referral of business opportunities from our Controlling Shareholders, and the management team of our Group will be able to seek business opportunities for our Group. Our Group is able to continue to operate independently from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

COMPETITION AND CONFLICT OF INTERESTS

Undertakings given by Controlling Shareholders


Each of our Controlling Shareholders has confirmed, represented and warranted to us that, other than his/its interest in our Group and the Relevant Refuelling Business (as defined below) currently he/it, his/its close associates, those entities relate to him/it as head in the Deed of non-competition, and/or companies controlled by him/it is/are neither engaged, nor interested in, and has undertaken to us that, other than his/its interest in our Group and the Relevant Refuelling Stations and subject to certain exceptions as set out below, he/it shall not and shall procure that his/its close associates and such entities at any time during the Relevant Period (as defined below) not to engage or interest in the Restricted Activity (as defined below) in any Relevant Capacity (as defined below) (other than through our Group or the Relevant Refuelling Stations), or any part thereof, or participate or hold any equity interest or is otherwise interested in any company or entity or firm which is principally engaged in the Restricted Activity, which, directly or indirectly, competes or may compete with our business.

To protect our Group from any potential competition, our Controlling Shareholders have given the Deed of Non-competition in favour of our Company on 21 September 2017, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably undertaken to us on a joint and several basis that, each of our Controlling Shareholders shall, and shall procure that his/ its close associates and/or companies controlled by him/it (other than our Group) and apart from the ownership of the five Mixed Refuelling Stations by Changchun Yitonghe and the Mixed Refuelling Stations constructed and/or expected to be constructed by Jilin Haotuo and HEB Shengshi Energy (“**Relevant Refuelling Stations**”)):

- (i) at any time during the Relevant Period not, directly or indirectly, alone or jointly with another person, in any form be interested, involved, engaged in or assist or support any third party in the operation of, or invest, participate, acquire or hold any right or interest (in each case whether for its own account or for that of any person, firm or company (other than any member of our Group or the mere ownership of the Relevant Refuelling Stations) and whether through medium of any company which is its close associate (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or controlled by any of its close associates) or as a principal, shareholder, partner, director, employee, consultant, agent or otherwise and whether for profit, reward or otherwise (“**Relevant Capacity**”)) in any business (other than our Group or the Relevant Refuelling Stations) or is about to be engaged in any business (other than our Group or the Relevant Refuelling Stations) which is the same or similar to that carried on by our Group and/or which competes or may compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to (i) distribution of CNG, LNG and/or LPG to vehicular end-users by operating gas refuelling stations, (ii) sales of LPG for domestic use and (iii) wholesale of CNG and LPG in the PRC and any other country or jurisdiction, and other business activities engaged by us from time to time (the “**Restricted Activity**”)); whereby the Gas Refuelling Station at the Mixed Refuelling

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Stations, if such Mixed Refuelling Stations have not been acquired by our Group (for the case of the Mixed Refuelling Stations constructed or expected to be constructed by Jilin Haotuo and HEB Shengshi Energy), shall be operated by our Group through entrustment arrangements;

- (ii) at any time during which securities of our Company are listed on the Stock Exchange and for so long as our Controlling Shareholders and/or their respective close associates directly or indirectly hold, whether individually or taken together, 30% or more of the issued shares in our Company or are regarded as the controlling shareholders of our Company under the Listing Rules and for a period of two years thereafter, in any Relevant Capacity:
 - (A) not directly or indirectly solicit, interfere with, employ or endeavour to entice away from any members of our Group any person who, to his/its knowledge, is now, or has during the 12 months preceding the date of the Deed of Non-competition been, a client, customer, supplier or employee of our Group for employment excluding the existing employees of the Yitonghe Group by or otherwise dealing with him/it or his/its close associates (excluding our Group); and/or
 - (B) other than (a) for the purpose of conducting business of or relating to our Group or (b) the trade name (商號) of “眾誠連鎖” owned and the trademark “” owned by United Strength Vehicle Service, at any time, not use the name or trading style of any member of our Group, or any trademarks, patents or logos or device or intellectual property rights similar in appearance to those of any member of our Group, in the PRC, Hong Kong or any other part of the world, or represent himself/itself as carrying on or continuing or being connected with any member of our Group or our business for any purposes whatsoever.
- (iii) not, without prior consent from our Company, disclose to any person or make use of any information pertaining to the business, accounts or finances of our Group or any of our clients', suppliers' or customers' transactions or affairs, which may, or may have come to his/its knowledge in his/its capacity as a shareholder and/or a Director (as the case may be) for any purpose and shall use his/its best endeavours to prevent the publication or disclosure of such information; and
- (iv) at any time during the Relevant Period if there is any project or new business opportunity that relates to the Restricted Activity, first refer such project or new business opportunity to our Company within a reasonable period of time for consideration. In this connection, we have the right within one month thereafter to take up such opportunity and in the event that we decide to take up the opportunity, each of our Controlling Shareholders will and will procure his/its close associate(s) to use his/its reasonable endeavour to assist us to obtain such opportunity.

Approvals for allowing our Controlling Shareholders to participate in Restricted Activity

The above undertaking (i) is subject to the exception that any of the Controlling Shareholders and/or his/its close associates (excluding our Group and the Relevant Refuelling Stations) is entitled

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to invest, participate and be engaged in any Restricted Activity or any project or business opportunity containing or for the pursuit of the Restricted Activity, regardless of value, which project or business opportunity has been offered or made available to our Group and rejected by the Board only after steps of careful scrutiny and approval from the Board will have been taken, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors.

The steps to be taken by the Board include that the relevant Board meeting shall be participated by our INEDs who should be allowed a reasonable period of time to consider the subject matters and without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs that our Group has rejected such project or business opportunity and/or otherwise not to be involved or engaged, or not to participate, in the relevant Restricted Activity and that the principal terms on which that relevant Controlling Shareholder and/or his/its close associate(s) invest, participate or engage in the Restricted Activity are substantially the same as or not more favourable than those disclosed to and considered by our Company. Subject to the above, if the relevant Controlling Shareholder and/or his/its close associate(s) decide to be involved, engaged, or to participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The factors which our Directors would take into account when deciding whether or not our Group shall take up such new projects or business opportunities include, among others, the costs and risks involved, the short-term and long-term benefits expected to be brought to our Group, possible compliance issues and whether such opportunities are in the interests of our Group and Shareholders as a whole.

Notwithstanding his taking up of the new projects or business opportunities (if any), Mr. Zhao shall, as a Director, always perform his duties in good faith and in the interest of our Company, and shall not allow his commitment to devote substantially all of his time to our Group be undermined in any way.

Other exceptions for the Controlling Shareholders to participate in Restricted Activity

Notwithstanding the undertakings given under the Deed of Non-competition, the undertakings given by the Controlling Shareholders of not to compete with our Group are subject to the exception that any of our Controlling Shareholders and their respective close associates (excluding our Group and the Relevant Refuelling Stations) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which (i) are the direct or indirect investments of the relevant Controlling Shareholder and/or his/its close associates (excluding our Group and the Relevant Refuelling Stations) in any member of our Group or such associated companies, and/or (ii) any other companies which the relevant Controlling Shareholder does not hold more than 5% interest and does not participate in the management of such company and at all times there is a holder of such shares or securities holding (together, where appropriate, with its close associate(s)) a larger percentage of the shares or securities of such company than our Controlling Shareholder and his/its close associate(s) together hold.

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First rights of refusal agreed to be given by our Controlling Shareholders to our Company

Pursuant to the Deed of Non-competition, our Controlling Shareholders, jointly and severally, have also granted first rights of refusal to our Group for acquiring from the relevant Controlling Shareholder and/or his/its close associates any new business (not being the Restricted Activity) then engaged or invested by such Controlling Shareholder and/or his/its close associates, which rights may be exercisable by us at any time when we engage or start engaging in any such business.

Undertakings by our Controlling Shareholders to provide information etc.

Each of our Controlling Shareholders has also undertaken under the Deed of Non-competition that he/it shall:

- (i) provide or procure the provision to us and/or our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Deed of Non-competition by the relevant Controlling Shareholder and his/its close associates;
- (ii) allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of the relevant Controlling Shareholder and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition;
- (iii) issue an annual declaration to our Company on compliance with the terms of the Deed of Non-competition, setting out therein his/its interests (if any) in any projects or business opportunities (including any changes thereof) and consenting to the disclosure of such declaration in our annual reports or the announcements published by our Company regarding the decisions of the INEDs on matters referred to in the Deed of Non-competition;
- (iv) supply to our Company upon signing of the Deed of Non-competition with full and accurate details of any business or interest (if any) which the relevant Controlling Shareholder and/or his/its close associates have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interests (if any) which the relevant Controlling Shareholder has or may have with our Group and whether the relevant Controlling Shareholder and/or his/its close associates intend or do not intend to inject such business or interest into our Group;
- (v) at any time during which the Shares of our Company are listed on the Stock Exchange and for so long as the relevant Controlling Shareholder and/or his/its close associates are regarded, whether individually or taken together, as controlling shareholders of our Company within the meaning of the Listing Rules, notify our Company forthwith of any changes of the details and information referred to in paragraph (iv) above so as to enable

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our Company to, if so required by the Stock Exchange or pursuant to the Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules;

- (vi) procure any Director from time to time nominated by the relevant Controlling Shareholder:
 - (a) to disclose to our Company upon signing of the Deed of Non-competition and at any time during which the Shares of our Company are listed on the Stock Exchange full and accurate details of any business or interest (if any) which such Director and/or his/her close associates have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interest (if any) which such Director has or may have with our Group;
 - (b) to notify our Company forthwith of any changes of the details and information referred to in paragraph (vi)(a) above, including any such business or interest acquired by such Director and/or his/her close associates after the Listing so as to enable our Company to, if so required by the Stock Exchange or pursuant to the Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules.

Our Controlling Shareholders acknowledge that and, if so required by our Company, procure such Director(s) referred to in paragraph (vi) above to acknowledge that the information supplied to our Company pursuant to paragraphs (iv), (v) and/or (vi) above will or may be disclosed by our Company in this prospectus, circulars, reports, announcements and other statements to the Stock Exchange and/or any regulatory authorities and their respective officers and employees from time to time issued by our Company and that such disclosure is required by our Company in order to comply with the requirements of the Stock Exchange and/or other regulatory bodies.

Conditions precedent to the Deed of Non-competition becoming effective

The provisions contained in the Deed of Non-competition are conditional on the conditions stated in the section headed “Structure and conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties to the Deed of Non-competition may agree, the Deed of Non-competition shall become null and void and cease to have effect.

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Relevant Period

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) the date on which our Controlling Shareholders and their respective close associates (individually or taken as a whole) cease to own at least 30% of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules and do not have power to control our Board and there is at least one other Shareholder holding more Shares than the Controlling Shareholders and their close associates then taken together; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange.

Confirmation given by our Directors

Save as disclosed in this section, each Director confirms that he/she does not have any competing business with our Group.

Corporate governance

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Deed of Non-competition, we have adopted the following corporate governance measures:

- (a) the INEDs would review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders and if any, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders and/or their respective close associates on their existing or future competing businesses. Such options, pre-emptive rights or first rights of refusals relate to business which our Group may engage in the future;
- (b) our Company shall disclose decisions with basis on matters reviewed by the INEDs relating to non-compliance and enforcement of the Deed of Non-competition (including whether to take up the options, pre-emptive rights or first rights of refusals) either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the Listing Rules;
- (c) our Company shall disclose in the corporate governance report of the annual reports on how the terms of the Deed of Non-competition are complied with and enforced;
- (d) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-competition or other proposed transactions in which such

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Directors and/or their respective close associates have material interest, such Director(s) may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles; and

- (e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the INEDs), the appointment of such independent professional will be made at our Company's expenses.

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

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we entered into certain transactions with connected persons of our Company. These transactions will continue after the Listing Date, thereby constituting continuing connected transactions of our Company under the Listing Rules. Brief details of these continuing connected transactions are set out below:

Name of connected person	Business Relationship with our Company	Nature of transaction	Term	Waiver sought
1. Jilin Yafei Technology	Registered owner of software copyright used by our Group	Transfer of software copyright and supply of software maintenance services to our Group	Not more than 10 years from 16 March 2017 to 31 December 2026	N/A
2(a). Jieli Logistics; and	Customer of our gas refuelling service, gas transportation services supplier, seller of gas transportation vehicles and one of our top five suppliers for each year ended 31 December 2014, 2015 and 2016	Supply of CNG by our Group	Not more than three years from the Listing Date to 31 December 2019	N/A
(b). Changchun Yitonghe	Customer of our gas refuelling service, gas transportation services supplier, seller of gas transportation vehicles, entrusting party of the Gas Business Entrustment Agreement and operating party of the Petroleum Business Entrustment Agreement			

CONNECTED TRANSACTIONS

Name of connected person	Business Relationship with our Company	Nature of transaction	Term	Waiver sought
3. Changchun Yitonghe	Please refer to item 2(b) above	Entrustment of our Group for operation and management of Gas Refuelling Business	Not more than 9 years from the Listing Date to 31 December 2025	N/A
4. Changchun Yitonghe	Please refer to item 2(b) above	Entrustment of Changchun Yitonghe for operation and management of Petroleum Refuelling Business	Not more than 9 years from the Listing Date to 31 December 2025	N/A
5. PetroChina Company Limited Jilin Province Jilin City Sales Branch Company (中國石油天然氣股份有限公司吉林省吉林市銷售分公司) (“ PetroChina Jilin City Branch ”); PetroChina Company Limited Jilin Sales Branch Company (中國石油天然氣股份有限公司吉林銷售分公司) (“ PetroChina Jilin Sales Branch ”); and PetroChina Company Limited Jilin Changchun Sales Branch Company (中國石油天然氣股份有限公司吉林長春銷售分公司) (“ PetroChina Changchun Sales Branch ”) (collectively, “ Relevant Lessors ”)	Our lessors	Lease of land and property to our Group	From 28 March 2001 to 27 March 2021 (for the gas stations registered under Jilin Clean Energy (Jilin Branch), Jilin Clean Energy (Jilin Changchun Road Branch), Jilin Clean Energy (Guigu Station), Jilin Clean Energy (Southeast Lake Station); and from 28 June 2017 to 27 March 2021 (for the gas station registered under Jilin Clean Energy (Puyang Station))	N/A

CONNECTED TRANSACTIONS

Name of connected person	Business Relationship with our Company	Nature of transaction	Term	Waiver sought
6. PetroChina Changchun Sales Branch	Our sub-lessee	Sub-lease of petroleum refuelling station and assets (including land use right) by our Group to PetroChina Changchun Sales Branch	3 years from 25 March 2016 to 24 March 2019	N/A
7(a). Jieli Logistics; and (b). Changchun Yitonghe	Please refer to item 2 above	Supply of gas transportation services to our Group	Not more than three years from the Listing Date to the earlier of (a) 31 December 2019 or (b) the completion of acquisition of all gas transportation vehicles	Applied for under Rule 14A.105
8(a). Jieli Logistics; and (b). Changchun Yitonghe	Please refer to item 2 above	Acquisition of gas transportation vehicles	Not more than three years from the Listing Date to 31 December 2019	Applied for under Rule 14A.105

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

1. Transfer of software copyright and supply of software maintenance services to our Group

Relationship between parties:

As at the Latest Practicable Date, Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Jilin Yafei Technology was a direct wholly owned subsidiary of Changchun Yitonghe, as such, Jilin Yafei Technology is regarded as an associate of Mr. Zhao, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules. The continued supply of software maintenance services by Jilin Yafei Technology to our Group after the Listing Date will constitute continuing connected transaction of our Company under the Listing Rules.

Reasons for the transactions:

During the Track Record Period, Jilin Yafei Technology, as the registered owner and developer of the Transaction Recording Software Copyright, granted a licence to our Group to use the Transaction Recording Software, which connects our Group's gas meters of our gas refuelling stations to our electronic database to keep track of the transaction details conducted at such station, including

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the quantity of gas supplied, the transaction price and the identity of the customer (if such customer is a holder of our membership card). The transaction details collected by the Transaction Recording Software were then stored in our Group's electronic database for internal audit and transaction and operation analysis purposes.

Major terms of the transaction:

By a software copyright transfer and maintenance services agreement (“**Software Copyright Agreement**”) dated 16 March 2017 and entered into between Changchun Sinogas and Jilin Yafei Technology, Jilin Yafei Technology agreed to:

- (a) sell to Changchun Sinogas the Transaction Recording Software Copyright at a consideration of RMB10,000, which was determined with reference to the development costs of the software system incurred by Jilin Yafei Technology; and
- (b) provide software maintenance services (“**Software Maintenance Services**”), including installation and training services, adjustment and upgrade services, server custody service and provision of information and updating services in relation to the use of the Transaction Recording Software Copyright. Jilin Yafei Technology shall charge maintenance fees for each item of Software Maintenance Service actually provided based on the agreed fee schedule to the Software Copyright Agreement.

Pursuant to the Software Copyright Agreement, the term for providing the Software Maintenance Services is not more than 10 years from 16 March 2017 to 31 December 2026. As independent or alternative software maintenance service providers are available at comparable terms, our Directors consider that the terms in relation to the provision of Software Maintenance Services are generally in line with the industry standard.

Historical amount:

No historical figures during the Track Record Period are available for the transfer of the Transaction Recording Software Copyright.

As for the provision of Software Maintenance Services, the annual maintenance fees incurred by our Group were set out below:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total maintenance fees	<u>12.9</u>	<u>45.0</u>	<u>31.2</u>	<u>27.0</u>

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Annual caps and basis of determination:

During the term of the Software Copyright Agreement, Changchun Sinogas shall pay an annual maintenance fee to Jilin Yafei Technology based on the actual Software Maintenance Services provided by Jilin Yafei Technology for each year, subject to the annual limit of RMB100,000. In determining the above annual caps, our Directors have considered generally:

- (a) the historical transaction amounts as set out above; and
- (b) the expected increasing demand of Software Maintenance Services and the establishment or acquisition of new refuelling stations, having taken into account our expansion plan.

Listing Rules implications:

During the term of the Software Copyright Agreement, the annual cap for the maintenance fee under the Software Copyright Agreement is less than HK\$3 million and the highest applicable percentage ratio is less than 5%. Therefore, the continuing connected transactions under the Software Copyright Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

Directors' view:

Our Directors consider that the terms of the Software Copyright Agreement were agreed between the parties on arm's length basis and in the interest of our Group as a whole.

2. Supply of CNG by our Group

Relationship between parties:

As at the Latest Practicable Date, Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Jieli Logistics was a direct wholly owned subsidiary of Changchun Yitonghe, as such, each of Changchun Yitonghe and Jieli Logistics is regarded as an associate of Mr. Zhao, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules. The supply of CNG by our Group to Jieli Logistics and Changchun Yitonghe will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under the Listing Rules.

Reasons for the transactions:

As at the Latest Practicable Date, Jieli Logistics and Changchun Yitonghe are in possession of petroleum transportation vehicles and gas transportation vehicles, which are operated by Jieli Logistics (for itself and acting as a logistics service provider for Changchun Yitonghe) for the purposes of providing gas transportation services, and some of such transportation vehicles are fuelled by CNG. During the Track Record Period, the transportation vehicles owned by Jieli Logistics and Changchun Yitonghe obtained gas refuelling services from our Group at our gas refuelling stations.

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Major terms of the transaction:

Changchun Sinogas, Jieli Logistics and Changchun Yitonghe entered into a gas supply agreement (“**Gas Supply Agreement**”), pursuant to which Changchun Sinogas (for itself and on behalf of other members of our Group) agreed to supply CNG to Jieli Logistics and Yitonghe Group, in consideration for the payment of gas charges to our Group. Except the obligation to maintain a reasonable quantity of gas for daily operation, our Group is under no obligation to satisfy any demand for gas on the part of Jieli Logistics or Yitonghe Group. The following is a summary of the principal terms of the Gas Supply Agreement:

Date:	19 September 2017
Parties:	(1) Changchun Sinogas (for itself and on behalf of other members of our Group) (as supplier); (2) Jieli Logistics and Changchun Yitonghe (for themselves and on behalf of other members of the Yitonghe Group) (as purchasers).
Term (period):	Not more than three years from the Listing Date to 31 December 2019
Determination of gas charges and other terms:	The gas charges (for CNG) are determined by the parties (on arm’s length basis and in good faith) with reference to prevailing market prices of CNG supplied by our Group to other Independent Third Parties.
Payment term:	To be settled immediately upon the completion of each gas refuelling transaction

Historical amount:

During the Track Record Period, the total annual gas charges incurred by Jieli Logistics and Yitonghe Group were set out below:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Total gas charges	<u>3.6</u>	<u>3.6</u>	<u>2.1</u>	<u>0.5</u>

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Annual caps and basis of determination:

Our Directors estimate that the annual transaction amount for the gas charges for the three years ending 31 December 2019 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2017	2018	2019
	(RMB million)	(RMB million)	(RMB million)
Total gas charges	<u>0.8^(note)</u>	<u>1.5</u>	<u>0.5</u>

Note: The annual cap for the year ending 31 December 2017 only took into account the expected aggregate gas charges to be payable by Jieli Logistics and Changchun Yitonghe to our Group under the Gas Supply Agreement from the Listing Date (the date on which the Gas Supply Agreement will come into effect) up to 31 December 2017.

In determining the above annual caps, our Directors have considered generally:

- (a) the historical transaction amounts as set out above;
- (b) the expected demand of gas from Jieli Logistics and Yitonghe Group for the three years ending 31 December 2019;
- (c) our acquisition of gas transportation vehicles (as disclosed in “Non-exempted continuing connected transactions — 2. Acquisition of gas transportation vehicles” in this section below) from Jieli Logistics and Changchun Yitonghe, which reduces their demand for gas from us;
- (d) the inflation rate of the PRC during the Track Record Period and the expected inflation rate for the three years ending 31 December 2019; and
- (e) the anticipated market prices of CNG.

Listing Rules implications:

For each of the three years ending 31 December 2019, the annual cap for the gas charges under the Gas Supply Agreement is less than HK\$3 million and the highest applicable percentage ratio is less than 5%. Therefore, the continuing connected transactions under the Gas Supply Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders’ approval, annual review and all disclosure requirements.

Directors’ view:

Our Directors consider that the terms of the Gas Supply Agreement were agreed between the parties on arm’s length basis and in the interest of our Group as a whole.

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3. Entrustment of our Group for operation and management of Gas Refuelling Business

Relationship between parties:

For the reasons set out in the paragraph headed “Exempted continuing connected transactions — 1. Transfer of software copyright and supply of software maintenance services to our Group — Relationship between parties” in this section above, Changchun Yitonghe is an associate of Mr. Zhao and a connected person of our Company under Chapter 14A of the Listing Rules.

Reasons for the transactions:

Historically, our Group’s Gas Refuelling Business was operated by Changchun Yitonghe (partially through the PRC Operating Subsidiaries) together with its own Petroleum Refuelling Business. Due to the historical arrangement and operation of both Gas Refuelling Business and Petroleum Refuelling Business, several Mixed Refuelling Stations were constructed and operated under the Yitonghe Group through years of business development and expansion. During the Track Record Period, there were seven Mixed Refuelling Stations, i.e. the Yitonghe Entrusted Refuelling Stations, under the Yitonghe Group (excluding the Mixed Refuelling Stations operated under the PRC Operating Subsidiaries). As at the Latest Practicable Date, among the seven Yitonghe Entrusted Refuelling Stations, a station was deregistered and another station has ceased to engage in the Gas Refuelling Business. For the remaining five Yitonghe Entrusted Refuelling Stations, they are registered under Changchun Yitonghe, the licences for the Gas Refuelling Business and Petroleum Refuelling Business of each Yitonghe Entrusted Refuelling Station are held by Changchun Yitonghe.

Since September 2013, Changchun Yitonghe started to implement separate operation and management of its Gas Refuelling Business and Petroleum Refuelling Business, experienced management personnel were employed to formulate a separate set of management policies in relation to the operation and management of the gas refuelling stations and the Gas Refuelling Business. As a result, during the period from October 2013 to May 2015, Changchun Yitonghe entered into seven separate entrustment agreements to entrust our Group with the right to operate and manage the Gas Refuelling Business at the Yitonghe Entrusted Refuelling Stations.

Considering that the two Group Entrusted Refuelling Stations are registered under Longjing United Strength and Hengtai Energy and the five Yitonghe Entrusted Refuelling Stations are registered under Changchun Yitonghe, our Group and the Yitonghe Group decided to proceed with the entrustment of the Gas Refuelling Business and the Petroleum Refuelling Business for the following reasons:

- (a) under the PRC regulatory regime, in order for a Mixed Refuelling Station to be separated into individual gas refuelling station and petroleum refuelling station to be operated under different entities, the typical administrative steps required to be taken and the expected processing time are as follows:

Step 1: *de-registration of the company (“Existing Operating Company”) under which the Mixed Refuelling Station is registered with*

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The Existing Operating Company shall first be de-registered with the AIC. The de-registration process typically takes one to two months.

Step 2: establishment of new proposed operating entities

Two new entities shall be set up and registered with the AIC, one for the operation of the Gas Refuelling Business (“**Gas Co**”) and another for the operation of the Petroleum Refuelling Business (“**Petroleum Co**”). The set up and registration process generally take two to four weeks.

Step 3: application for planning and construction approval

After their setting up and registration:

- Gas Co shall apply for the construction of gas refuelling station with the local department of housing and urban-rural development (住建部門) and obtain the gas refuelling station planning confirmation document (加氣站佈局規劃確認文件).
- Petroleum Co shall apply to the local authorities of MOFCOM to apply for and obtain the petroleum refuelling station planning confirmation document (加油站佈局規劃確認文件).

The expected time required for obtaining the aforementioned approvals varies and involves significant uncertainty because granting of planning approval may involve further inquiry and assessment.

Step 4: applications for various approvals in connection with construction

After the planning confirmation document is obtained, Gas Co and Petroleum Co shall each apply for approvals in respect of town planning, land, construction, production and operational safety, fire safety and environmental protection from relevant authorities. These administrative procedures typically take two to three years or even longer and they are generally required given that alteration of the Mixed Refuelling Station is generally required to separate the gas refueling station from the petroleum refueling station.

Step 5: construction and inspection

Upon receiving the approvals from the relevant authorities mentioned in step 4 above, the construction of the station could commence. Depending on whether the government department requires the existing gas refuelling station and/or petroleum refuelling station to be demolished, which is determined by the government department on a case-by-case

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basis, taking into account various factors including but not limited to the design and location of each individual station, the following alteration and/or construction works are involved:

- Where demolition is not required:
 - depending on the relevant design of the existing gas refuelling station and petroleum refuelling stations, relevant works may involve relocation of refuelling equipment, construction and/or alteration of station canopy and/or changing the route of existing pipelines.
- Where demolition is required:
 - after the demolition, new gas refuelling station and petroleum refuelling station will be constructed according to the approvals obtained.

Given that the extent of the alteration and/or construction works varies, the expected time frame for completing such works is uncertain. Furthermore, due to the cold weather in Northeast China, the progress of the alteration and/or construction undertaken during the period from every October to April of the next year will also be substantially affected.

Upon completion of the construction of a station, inspections will be made by various government departments (including planning, fire safety and environmental authorities) and, if they are satisfied with the inspection results, approval for the construction project will be given.

Step 6: application for operating licences

Gas Co shall apply for licenses and permits (such as the gas operating licence, usage of special equipment registration certificate and cylinder filling permit) before commencing operation.

Petroleum Co shall apply for licenses and permits required for operation of petroleum refuelling station (such as the petroleum products retail business approval certificate) from the local authorities of MOFCOM and hazardous chemical business license from the safety authority.

The application for these licenses and permits in Step 6 typically take six months to complete.

Based on the above, even without taking into account the suspension of our existing operations result in step 1, the time required to complete step 3 which is relatively unpredictable and the time required for planning and construction of a refuelling station, the estimated time for the administrative procedures and approvals for separating a Mixed Refuelling Station into a gas refuelling station and a petroleum refuelling station could take over three years. Further, it is possible that the relevant authority will not approve the

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application specified in steps 3, 4 and/or 5 at all. In the event that, in the course of separating a Mixed Refuelling Station, the permitted usage of land was changed as a result of urban planning, we or Changchun Yitonghe may not be able to obtain the approval for location planning for our/its gas or petroleum refuelling station to be constructed at the same location; and as the separation arrangement is initiated by us and/or Changchun Yitonghe, instead of being affected by the change in permitted usage of land, we or Changchun Yitonghe will not be entitled to any compensation which may be granted by the government. As such, in addition to the complicated administrative steps required to be taken, the separation of a Mixed Refuelling Station into a gas refuelling station and a petroleum refuelling station could involve significant uncertainties; and

- (b) considering that (i) Changchun Yitonghe's focus on the Petroleum Refuelling Business, the relative size and complexity of the businesses of the Yitonghe Group, and the respective focuses of our Group and the Yitonghe Group on the Gas Refuelling Business and the Petroleum Refuelling Business, and (ii) there are around 50 petroleum refuelling stations, which do not engage in the Gas Refuelling Business, registered under Changchun Yitonghe, it would not be feasible for our Group to acquire Changchun Yitonghe.

Major terms of the transaction:

Changchun Yitonghe (as entrusting party) and Changchun Sinogas (as operating party) entered into an entrusted operation management agreement, i.e. the Gas Business Entrustment Agreement, pursuant to which Changchun Yitonghe entrusted Changchun Sinogas with an exclusive right to operate and manage the Gas Refuelling Business at the five Yitonghe Entrusted Refuelling Stations, and Changchun Yitonghe further authorised Changchun Sinogas to use all assets, property, land and equipment necessary for such operation and management. The following is a summary of the principal terms of the Gas Business Entrustment Agreement:

Date:	19 September 2017
Parties:	(1) Changchun Yitonghe (as entrusting party); and (2) Changchun Sinogas (as operating party).
Term (period):	Not more than 9 years from the Listing Date to 31 December 2025. Upon expiry of the term, our Company shall be entitled to, at its sole discretion, renew the Gas Business Entrustment Agreement.
Entrustment fee:	Fixed annual entrustment fee of RMB1.3 million, which will be reviewed and adjusted (if necessary and subject to a limit of 10% increment or decrease) for every three years.

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Responsibilities and rights of parties:	<p>As the entrusting party, Changchun Yitonghe shall be responsible for, among others:</p> <ul style="list-style-type: none">- maintenance and overhaul of the assets and equipment for the Gas Refuelling Business at the Yitonghe Entrusted Refuelling Stations; and- payment of rent to the land owner for the relevant Yitonghe Entrusted Refuelling Station under lease. <p>As the operating party, Changchun Sinogas:</p> <ul style="list-style-type: none">- shall be entitled to all and any income deriving from the operation of Gas Refuelling Business;- shall bear all and any loss occasioned from the operation of the Gas Refuelling Business; and- shall bear the relevant costs, expenses and taxes incurred in the operation of the Gas Refuelling Business.
Determination of entrustment fee and other terms:	<p>The entrustment fee is determined by the parties (on arm's length basis and in good faith) with reference to (i) the historical average daily sales volume of the Gas Refuelling Business at the relevant Yitonghe Entrusted Refuelling Stations, (ii) the expected sales volume of the Gas Refuelling Business at the stations, and (iii) the existing entrustment fee for such business as reflected by market research conducted by our management team.</p>
Payment term:	<p>The entrustment fee shall be settled annually.</p>
Early termination:	<p>Any party ("Non-defaulting Party") may forthwith terminate the Gas Business Entrustment Agreement prior to the expiry of its term if:</p> <ul style="list-style-type: none">- the other party ("Defaulting Party") shall commit any material breach or any continued breach of the terms of the agreement (other than a breach which is capable of remedy and is remedied by the Defaulting Party within a reasonable period upon it being called upon to do so in writing by the Non-Defaulting Party); or- the Defaulting Party goes into liquidation, becomes insolvent or a winding up petition or analogous proceedings brought against it.

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In addition to the entrustment arrangement, under the Gas Business Entrustment Agreement, Changchun Yitonghe (as option grantor and potential seller) granted Changchun Sinogas (for itself and on behalf of other members of our Group) (as the option grantee and potential purchaser) an option to purchase the Gas Refuelling Business of the Yitonghe Entrusted Refuelling Station, and the assets, property, land and equipment related to its operation. The consideration shall be determined based on arm's length negotiations between our Group and Changchun Yitonghe and having regard to various factors, including but not limited to the relevant and applicable requirements under the PRC laws and regulations then in force, the then prevailing market conditions, tax implications on our Group and the net asset value or fair value of the assets to be acquired. The option is exercisable by Changchun Sinogas (or other member of our Group) (under the supervision of the Board of our Company) upon the fulfillment of the relevant condition for its exercise. For details of the terms regarding such options (including the conditions for exercise), please refer the section headed to "Relationship with our Controlling Shareholders — Delineation of business and competition — Business of Yitonghe Group — (c) Mixed Refuelling Stations in Operation (Yitonghe Entrusted Refuelling Stations and Group Entrusted Refuelling Stations)" in this prospectus.

Historical amount:

During the Track Record Period, the total annual entrustment fees incurred by our Group (without taking into account the two Mixed Refuelling Stations which was deregistered or has ceased to engage in the Gas Refuelling Business as at the Latest Practicable Date) were set out below:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Total entrustment fees	<u>1.2</u>	<u>1.2</u>	<u>1.3</u>	<u>0.3</u>

Note: During the Track Record Period, Changchun Yitonghe charged fixed annual entrustment fees for the five Mixed Refuelling Stations, the reason for the increase in the total annual entrustment fees in the year ended 31 December 2016 was that the entrustment arrangement for one of the Mixed Refuelling Stations only commenced in June 2015.

Annual caps and basis of determination:

Our Directors estimate that the annual transaction amount for the entrustment fees for the period from the Listing Date to 31 December 2017 will not exceed RMB0.3 million (being proportional amount for the annual entrustment fee of RMB1.3 million) and for each of the two years ending 31 December 2019 will not exceed RMB1.3 million. For each of the three years ending 31 December 2022 will not exceed RMB1.43 million and for each of the three years ending 31 December 2025 will not exceed RMB1.573 million, taking into consideration the maximum increment of 10% for every three years, review in and after 31 December 2019.

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In determining the above annual caps, our Directors have considered generally:

- (a) the historical transaction amounts as set out above;
- (b) the historical average daily sales volume of the Gas Refuelling Business at the relevant Yitonghe Entrusted Refuelling Stations and the expected sales volume thereof at the stations;
- (c) the prevailing market price of entrustment fees for the Gas Refuelling Business payable for similar entrustment arrangement; and
- (d) the fixed annual entrustment fee of RMB1.3 million which will only be reviewed and adjusted for every three years under the Gas Business Entrustment Agreement.

Listing Rules implications:

During the term of the Gas Business Entrustment Agreement, the annual cap for the entrustment fees under the Gas Business Entrustment Agreement is less than HK\$3 million and the highest applicable percentage ratio is less than 5%. Therefore, the continuing connected transactions under the Gas Business Entrustment Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

Directors' view:

Our Directors consider that the terms of the Gas Business Entrustment Agreement were agreed between the parties on arm's length basis and in the interest of our Group as a whole.

4. Entrustment of Changchun Yitonghe for operation and management of Petroleum Refuelling Business

Relationship between parties:

For the reasons set out in the paragraph headed "Exempted continuing connected transaction — 1. Transfer of software copyright and supply of software maintenance services to our Group — Relationship between parties" in this section above, Changchun Yitonghe is an associate of Mr. Zhao and a connected person of our Company under Chapter 14A of the Listing Rules.

Reasons for the transactions:

As at the Latest Practicable Date, our Group controlled two Mixed Refuelling Stations, i.e. the Group Entrusted Refuelling Stations, which have been registered under Longjing United Strength and Hengtai Energy, respectively. To avoid future potential competition between our Group and Yitonghe Group and allow our Group to focus on the Gas Refuelling Business, on 31 October 2013 and 1 April

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2015, each of Longjing United Strength and Hengtai Energy separately entered into an entrustment agreement to entrust Changchun Yitonghe with the right to operate and manage the Petroleum Refuelling Business at our Group Entrusted Refuelling Stations, while our Group continued to operate and manage the Gas Refuelling Business at such Mixed Refuelling Stations.

Major terms of the transaction:

Longjing United Strength and Hengtai Energy (as entrusting parties) and Changchun Yitonghe (as operating party) entered into an entrusted operation management agreement (“**Petroleum Business Entrustment Agreement**”) on 19 September 2017 for the entrustment of Changchun Yitonghe to operate and manage the Petroleum Refuelling Business at the two Group Entrusted Refuelling Stations on an exclusive basis for a term of not more than nine years from the Listing Date to 31 December 2025. Under such entrustment agreement the initial fixed annual entrustment fee is RMB1.1 million (which will be reviewed and adjusted (if necessary and subject to a limit of 10% increment or decrease) for every three years). The terms of the Petroleum Business Entrustment Agreement are essentially similar to those of the Gas Business Entrustment Agreement, save for (i) the renewal of the Petroleum Business Entrustment Agreement shall be subject to future negotiations of the parties before the expiry of its term; and (ii) no option to purchase the Petroleum Refuelling Business was granted to Changchun Yitonghe.

Historical amount:

During the Track Record Period, the total annual entrustment fees incurred by Changchun Yitonghe were set out below:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Total entrustment fees	<u>0.4</u>	<u>0.9</u>	<u>1.1</u>	<u>0.3</u>

Note: During the Track Record Period, we charged fixed annual entrustment fees for the two Mixed Refuelling Stations, the reason for the increase in the total annual entrustment fees in the years ended 31 December 2015 and 2016 was that the entrustment arrangement for one of the Mixed Refuelling Stations only commenced in April 2015.

Annual caps and basis of determination:

Our Directors estimate that the annual transaction amount for the entrustment fees for the period from the Listing Date to 31 December 2017 will not exceed RMB0.3 million (being proportional amount for the annual entrustment fee of RMB1.1 million) and for each of the two years ending 31 December 2019 will not exceed RMB1.1 million. For each of the three years ending 31 December 2022 will not exceed RMB1.21 million and for each of the three years ending 31 December 2025 will not exceed RMB1.331 million, taking into consideration the maximum increment of 10% for every three years, review in and after 31 December 2019.

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In determining the above annual caps, our Directors have considered generally:

- (a) the historical transaction amounts as set out above;
- (b) the historical average daily sales volume of the Petroleum Refuelling Business at the relevant Group Entrusted Refuelling Stations and the expected sales volume thereof at the stations;
- (c) the prevailing market price of entrustment fees for the Petroleum Refuelling Business payable for similar entrustment arrangement, and
- (d) the fixed annual entrustment fee of RMB1.1 million which will only be reviewed and adjusted for every three years under the Petroleum Business Entrustment Agreement.

Listing Rules implications:

During the term of the Petroleum Business Entrustment Agreement, the annual cap for the entrustment fees under the Petroleum Business Entrustment Agreement is less than HK\$3 million and the highest applicable percentage ratio is less than 5%. Therefore, the continuing connected transactions under the Petroleum Business Entrustment Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

Directors' view:

Our Directors consider that the terms of the Petroleum Business Entrustment Agreement were agreed between the parties on arm's length basis and in the interest of our Group as a whole.

5. Lease of land and property to our Group

Relationship between parties:

As at the Latest Practicable Date, Jilin Petroleum owned 49% of the equity interest in Jilin Clean Energy, one of our PRC Operating Subsidiaries. Jilin Petroleum and PetroChina Natural Gas were both wholly owned by the same holding company, as such, the branch companies of PetroChina Natural Gas, including PetroChina Jilin City Branch, PetroChina Jilin Sales Branch and PetroChina Changchun Sales Branch (i.e. the Relevant Lessors) are regarded as associates of Jilin Petroleum, and hence connected persons of our Company, pursuant to Rule 14A.13(1) of the Listing Rules. The leasing of land and property to our Group by the Relevant Lessors after the Listing Date will constitute continuing connected transactions of our Company after the Listing Rules.

Reasons for the transactions:

By entering into the rental arrangement, Jilin Clean Energy is able to secure continual and long term use of property and land on which we operate our gas stations.

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Major terms of the transaction:

The Relevant Lessors, as lessors, leased certain land and properties to Jilin Clean Energy (Jilin Branch), Jilin Clean Energy (Jilin Changchun Road Branch), Jilin Clean Energy (Guigu Station), Jilin Clean Energy (Southeast Lake Station) and Jilin Clean Energy (Puyang Station), branch companies and refuelling station of Jilin Clean Energy. The principal terms of the rental arrangement are set out below:

- Parties:
- (1) PetroChina Jilin City Branch, PetroChina Jilin Sales Branch and PetroChina Changchun Sales Branch as lessors
 - (2) Jilin Clean Energy (Jilin Branch), Jilin Clean Energy (Jilin Changchun Road Branch), Jilin Clean Energy (Guigu Station), Jilin Clean Energy (Southeast Lake Station) and Jilin Clean Energy (Puyang Station) as lessees
- Location of the property: Various premises and the related sites located at:
- (a) portion of land and premises located at Jiefang Road, Changyi District, Jilin City leased by PetroChina Jilin City Branch to Jilin Clean Energy (Jilin Branch) for use as its gas station
 - (b)
 - (i) portion of land located at Changchun Road, Chuanying District, Jilin City leased by PetroChina Jilin Sales Branch to Jilin Clean Energy (Jilin Changchun Road Branch) for use as its gas station
 - (ii) portion of the premises located at Changchun Road, Chuanying District, Jilin City leased by PetroChina Jilin City Branch to Jilin Clean Energy (Jilin Changchun Road Branch) for use as its gas station
 - (c) portion of land and premises located at Guigu Street, Gaoxin District, Changchun City leased by PetroChina Changchun Sales Branch to Jilin Clean Energy (Guigu Station) for use as its gas station
 - (d) portion of land and premises located at South Lake Road, Nanguan District, Changchun leased by PetroChina Changchun Sales Branch to Jilin Clean Energy (Southeast Lake Station) for use as its gas station

CONNECTED TRANSACTIONS

(e) portion of land and premises located at Puyang Street, Lvyuan District, Changchun City leased by PetroChina Changchun Sales Branch to Jilin Clean Energy (Puyang Station) for use as its gas station (“**Puyang Station**”);

Term: the lease term of the properties and land for items (a) to (d) above is for a period of 20 years from 28 March 2001 to 27 March 2021

the lease term of the property and land used as Puyang Station is from 28 June 2017 to 27 March 2021

Annual rent payable by the tenant: for the properties and land under items (a) to (e) above: Nil

Historical amount and annual caps:

No historical figures for the Track Record Period or annual caps are available for the properties and land used under items (a) to (d) above as no rent had been and will be payable by our Group under the rental arrangement.

As for the property and land used as Puyang Station, the total annual rent incurred by our Group pursuant to the previous lease agreement dated 25 August 2014 between Ms. Zhang Ping (acting on behalf of PetroChina Changchun Sales Branch) and Jilin Clean Energy were approximately RMB0.1 million, RMB0.4 million, RMB0.3 million and nil for the three years ended 31 December 2016 and the three months ended 31 March 2017. For the year ended 31 December 2016 and the three months ended 31 March 2017, PetroChina Changchun Sales Branch waived part of the rent payable. On 28 June 2017, the leasing arrangement was renewed and no rent is payable for the lease of the property and land used as Puyang Gas Station for the term from 28 June 2017 to 27 March 2021.

Listing Rules implications:

Considering that no rent is payable under the rental arrangements as disclosed above, the continuing connected transactions under the rental arrangement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders’ approval, annual review and all disclosure requirements.

Directors’ view:

Our Directors consider that the terms of the rental arrangement were agreed between the parties on arm’s length basis and in the interest of our Group as a whole.

6. Sub-lease of petroleum refuelling station and assets (including land use right) by our Group to PetroChina Changchun Sales Branch

Relationship between parties:

For the reasons set out in the paragraph headed “Exempted continuing connected transactions — 5. Lease of land and property to our Group” in this section above, PetroChina Changchun Sales Branch is an associate of Jilin Petroleum and a connected person of our Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Reasons for the transactions:

During the Track Record Period, we as lessee entered into an asset leasing agreement with an Independent Third Party for the lease of a petroleum refuelling station, together with the land of which the station is located on. We incurred annual rent expenses of approximately RMB0.1 million, RMB0.4 million and RMB0.5 million for the three years ended 31 December 2016 and nil for the three months ended 31 March 2017. As the business focus of our Group is the Gas Refuelling Business, during the Track Record Period, the relevant petroleum refuelling station, together with the land, has been sub-leased by our Group to PetroChina Changchun Sales Branch to obtain extra rental income.

Major terms of the transaction:

Jilin Clean Energy as sub-lessor entered into a lease agreement (“**Petroleum Station Lease Agreement**”) with PetroChina Changchun Sales Branch as sub-lessee with respect to the sub-lease of a petroleum refuelling station, together with the land on which it is located, at Changchun Longjia International Airport in Jilin Province (“**Longjia Petroleum Station**”). The principal terms of the Petroleum Station Lease Agreement are set out below:

Date:	4 May 2016
Parties:	(1) Jilin Clean Energy as sub-lessor (2) PetroChina Changchun Sales Branch as sub-lessee
Location of the property:	Longjia Petroleum Station, together with land (having an aggregate area of 2,800 sq.m.)
Term:	For a period of three years from 25 March 2016 to 24 March 2019
Annual rent payable by the tenant:	RMB1,200,000
Use:	The property and land shall be used for commercial purpose as a petroleum refuelling station

Historical amount:

During the Track Record Period, the total annual rent incurred by PetroChina Changchun Sales Branch were set out below:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Total rent (<i>note</i>)	<u>0.1</u>	<u>0.6</u>	<u>1.1</u>	<u>0.3</u>

Note: The rental payable for the period from 1 January 2014 to 24 March 2016 was based on a lease agreement dated 24 August 2013 for an annual rent of RMB0.6 million.

CONNECTED TRANSACTIONS

Annual caps and basis of determination

Our Directors estimate that the annual transaction amount for the rent for the three years ending 31 December 2019 will not exceed the following annual caps set forth in the table below:

	Year ended 31 December		
	2017	2018	2019
	(RMB million)	(RMB million)	(RMB million)
Total rent	<u>1.2</u>	<u>1.2</u>	<u>1.2(note)</u>

Note: The annual transaction amount for the rent for the year ending 31 December 2019 is calculated assuming the Petroleum Station Lease Agreement will be renewed with the same annual rent.

In determining the above annual caps, our Directors have considered generally:

- (a) the historical transaction amounts as set out above; and
- (b) the prevailing market rent for similar petroleum station in the proximity.

Listing Rules implications

For each of the three years ending 31 December 2019, the annual cap for the Petroleum Station Lease Agreement is less than HK\$3 million and the highest applicable percentage ratio is less than 5%. Therefore, the continuing connected transactions under the Petroleum Station Lease Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

Directors' view

Our Directors consider that the terms of the Petroleum Station Lease Agreement were agreed between the parties on arm's length basis and in the interest of our Group as a whole.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

1. Transportation services provided to our Group

Relationship between parties:

For the reasons set out in the paragraph headed "Exempted continuing connected transactions — 2. Supply of CNG by our Group — Relationship between parties" in this section, both Jieli Logistics and Changchun Yitonghe are associates of Mr. Zhao and connected persons of our Company under Chapter 14A of the Listing Rules. The provision of gas transportation services by Jieli Logistics and Changchun Yitonghe to our Group will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under the Listing Rules.

CONNECTED TRANSACTIONS

Reasons for the transactions:

During the Track Record Period and up to the Latest Practicable Date, Jieli Logistics has been primarily engaged in provision of petroleum and gas transportation services, and during the Track Record Period, Jieli Logistics's revenue was substantially derived from its provision of petroleum transportation services. For each year ended 31 December 2014, 2015 and 2016, Jieli Logistics was one of our top five suppliers, providing gas transportation services to us, while we were the only customer for the gas transportation services provided by Jieli Logistics. During the Track Record Period, even though we were in possession of several gas transportation vehicles, each of our Group (which obtained several transportation vehicles via acquisition of Changchun Sinogas) and Changchun Yitonghe leased its respective gas transportation vehicles to Jieli Logistics as a logistics service provider, to coordinate and provide fuel transportation services to our Group with centralised management to maximize efficiency. This was due to the reason that Jieli Logistics was in possession of a much larger fleet of gas transportation vehicles with proven record to provide stable, safe and reliable gas transportation services. As a result, our Group had during the Track Record Period engaged, and will continue to engage Jieli Logistics to provide us with gas transportation services. As the provision of gas transportation services involves the handling and transportation of dangerous goods, including flammable gases and flammable liquids such as CNG and LNG, the quality of gas transportation vehicles (owned by Jieli Logistics and Changchun Yitonghe) and transportation safety are of crucial importance. Despite the availability of transportation services provided by Independent Third Parties at comparable terms, if we intend to engage them to provide gas transportation services, additional time and costs would be incurred in locating suitable transportation services provider(s) which can meet our quality and safety requirement. Our Directors consider that it would be beneficial to our Group to engage Jieli Logistics and Changchun Yitonghe which are proven to offer good quality transportation service to us, instead of engaging other third party service providers, to continue to provide us gas transportation services after Listing. During the Track Record Period, our Group engaged Jieli Logistics to provide us with gas transportation services using a fleet of gas transportation vehicles operated by it. Currently, we have no intention to engage third party gas transportation service providers and there is no reasonable ground for us to foresee that Jieli Logistics and Changchun Yitonghe will cease to provide gas transportation services to us during the term of the Transportation Services Agreement. After the termination of the Transportation Services Agreement, it is expected that our Group will support our own gas transportation service without heavy reliance on third party gas transportation service providers. However, in the remote event that Jieli Logistics and/or Changchun Yitonghe cease to provide gas transportation services to our Group during the term of the Transportation Services Agreement or that we need to procure third parties to provide gas transportation services after the termination of such agreement, we may have to procure such services from multiple third party service providers as substitution.

CONNECTED TRANSACTIONS

Major terms of the transaction:

Our Group, Jieli Logistics and Changchun Yitonghe entered into a gas transportation services agreement (“**Transportation Services Agreement**”). The following is a summary of the principal terms of the Transportation Services Agreement:

Date:	19 September 2017
Parties:	(1) Jieli Logistics and Changchun Yitonghe (as service providers); (2) Changchun Sinogas (for itself and on behalf of other members of our Group, their respective branch companies and refuelling stations owned, controlled and/or operated by us) (as service recipient)
Term (period):	Not more than three years from the Listing Date to the earlier of (a) 31 December 2019 or (b) the completion of acquisition of all gas transportation vehicles as described in “— 2. Acquisition of gas transportation vehicles” below
Major terms:	Jieli Logistics and/or Changchun Yitonghe will provide gas transportation services at such time and to such location as requested by the relevant service recipient, in consideration for the payment of transportation service fee (inclusive of all fees, costs and charges incurred by Jieli Logistics and/or Changchun Yitonghe ancillary to the provision of the gas transportation services) to Jieli Logistics and/or Changchun Yitonghe by the service recipient
Determination of service fee and other terms:	The service fee (inclusive of all fees, costs and charges incurred by Jieli Logistics and/or Changchun Yitonghe ancillary to the provision of the gas transportation services) is determined and measured by actual weight of the gas (CNG or LNG) and the actual travelling distance for the gas transportation service (for CNG, “m ³ per 100 kilometre” and for LNG, “tonne per 100 kilometre” and such service fee will be negotiated by the parties (on arm’s length basis and in good faith) with reference to prevailing market prices of similar services which Changchun Sinogas may be sourced from other Independent Third Parties.
Payment term:	To be settled monthly on accrual basis, within 10 days from the date of invoice issued by the relevant service provider upon receipt by Changchun Sinogas.

CONNECTED TRANSACTIONS

Historical amount:

During the Track Record Period, the transportation service fees incurred by our Group were set out below:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Total transportation service fee	<u>21.3</u>	<u>21.1</u>	<u>20.0</u>	<u>1.6^(note)</u>

Note: The decrease in the transportation service fee incurred by our Group for the three months ended 31 March 2017 was primarily attributable to our effort to reduce reliance on Jieli Logistics and our procurement of gas from suppliers which also offer gas delivery services.

Annual caps and basis of determination:

As a measure to reduce the future transportation service fee (and hence the transaction amount for the relevant continuing connected transaction and our Group's reliance on services from connected persons) to be incurred by our Group, our Group entered into the Master Acquisition Agreement with Jieli Logistics and Changchun Yitonghe, pursuant to which Jieli Logistics and Changchun Yitonghe agreed to sell gas transportation vehicles to our Group during the term of the agreement in tranches, such that our Group shall support its own demand for gas transportation service in a cost-efficient manner. For further information regarding the acquisition, please see “— 2. Acquisition of gas transportation vehicles” below.

Our Directors estimate that the annual transaction amount for the transportation service fee for the three years ending 31 December 2019 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2017	2018	2019
	(RMB million)	(RMB million)	(RMB million)
Total transportation service fee	<u>4.1^(Note)</u>	<u>14.3</u>	<u>5.2</u>

Note: The annual cap for the year ending 31 December 2017 only took into account the expected aggregate transportation service fee to be payable by our Group to Jieli Logistics and Changchun Yitonghe under the Transportation Services Agreement from the Listing Date (the date on which the Transportation Services Agreement will come into effect) up to 31 December 2017.

CONNECTED TRANSACTIONS

In determining the above annual caps, our Directors have considered generally:

- (a) the historical transaction amounts as set out above;
- (b) the target growth in demand of our Group's products for the three years ending 31 December 2019 and the establishment or acquisition of new refuelling stations, having taken into account our expansion plan;
- (c) the acquisition of gas transportation vehicles from Jieli Logistic and Changchun Yitonghe under the Master Acquisition Agreement, which would reduce our demand for gas transportation services provided by Jieli Logistics and Changchun Yitonghe;
- (d) the inflation rate of the PRC during the Track Record Period and the expected inflation rate for the three years ending 31 December 2019; and
- (e) the anticipated market prices of gas transportation services.

Listing Rules implications:

Please see “— 2. Acquisition of gas transportation vehicles — Listing Rules implications” in this section below.

Directors' view:

Our Directors (including our INEDs), after reviewing the terms of the Transportation Services Agreement, are of the view that the Transportation Services Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms (or on terms which are no less favourable to our Group), in the ordinary and usual course of business of our Group and the terms of the Transportation Services Agreement as well as the proposed annual caps (and the aggregate annual caps together with those of the Master Acquisition Agreement) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

2. Acquisition of gas transportation vehicles

Relationship between parties:

For the reasons set out in the paragraph headed “— Exempted continuing connected transactions — 2. Supply of CNG by our Group — Relationship between parties” in this section, both Jieli Logistics and Changchun Yitonghe are associates of Mr. Zhao and connected persons of our Company under Chapter 14A of the Listing Rules. The acquisition of gas transportation vehicles by our Group from these parties will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under the Listing Rules.

CONNECTED TRANSACTIONS

Reasons for the transactions:

Our Group possesses the necessary licences and capabilities to handle gas transportation and supply gas transportation services for our Group. Starting from 2017, our Group began to operate our own gas transportation vehicles to satisfy part of our needs. As disclosed above, the acquisition of the gas transportation vehicles is intended to reduce future transportation service fee, and reliance on Jieli Logistics and Changchun Yitonghe for the provision transportation services under the Transportation Services Agreement. Our Group has established a mutually beneficial and long-term relationship with Jieli Logistics and Changchun Yitonghe for the provision of gas transportation services to our Group. Whereby the gas transportation vehicles owned by them have proven record of providing stable, safe and reliable transportation services, such acquisition also provides us with a fleet of vehicles, which can be acquired at their net asset value, to fulfill our needs for stable supply of gas. Therefore, our Directors believe that the acquisition of such vehicles to be operated by us would be beneficial to our Group. Along with the acquisition of the gas transportation vehicles, relevant staff (including the driver and security guards) involved in providing gas transportation services regarding such vehicles will, at the consent of such personnel, also enter into employment contracts with our Group. This in turns allows for easier assimilation of such transportation staff into our Group and reduce safety risks.

Major terms of the transaction:

Under the PRC regulatory regime, there are stringent requirements governing vehicles used for transportation of dangerous goods, including flammable gases and flammable liquids such as CNG, LNG and LPG. Pursuant to the applicable PRC regulatory requirements, it is necessary for the gas transportation vehicles to be inspected by the relevant PRC governmental authority before a transfer of ownership of such vehicle can be approved. During the inspection period (which usually lasts one to two months), the particular vehicles subject to a proposed transfer are required to suspend all operations (i.e. gas transportation services). Our Group (as purchaser) and Jieli Logistics and Changchun Yitonghe (as vendors) entered into the Master Acquisition Agreement. The following is a summary of the principal terms of the Master Acquisition Agreement:

Date:	19 September 2017
Parties:	(1) Jieli Logistics and Changchun Yitonghe (as vendors); (2) Changchun Sinogas (for itself and on behalf of other members of our Group with relevant transportation license) (as purchaser)
Term (period):	Not more than three years from the Listing Date to 31 December 2019
Acquisition target and arrangement:	28 tractor units and 51 trailers (collectively, “ Target Vehicles ”) The parties will enter into individual acquisition agreements for the acquisition of the Target Vehicles by tranches, generally per quarter during the term of the Master Acquisition Agreement

CONNECTED TRANSACTIONS

Determination of consideration and other terms:	<p>The consideration for the Target Vehicles will be determined with reference to the net asset value of the Target Vehicles (taking into account their cumulative depreciation) as stated on the latest monthly management account of Jieli Logistics and/or Changchun Yitonghe prior to the signing date of the individual acquisition agreements.</p> <p>The terms of the acquisition (including the consideration and payment term) shall be no less favourable to our Group than the terms available from other Independent Third Parties sellers of similar transportation vehicles.</p>
Conditions for transfer:	<p>The conditions for the transfer of the Target Vehicles under each individual acquisition agreement shall include completion of all prescribed inspection and approval by the relevant PRC governmental authority</p>
Completion and other arrangements:	<p>At the same time of completion of the transfer of each tranche of Target Vehicles, subject to consent of the employees concerned, the vendors shall terminate the employment contracts with the relevant staff (including the driver and security guards) involved in providing gas transportation services regarding the relevant Target Vehicles and shall procure such personnel to enter into employment contracts with our Group.</p> <p>Each tranche of the Target Vehicles are to be delivered to the location designated by our Group at completion of the transfer. Before the delivery, the risks concerning such tranche of Target Vehicles shall be borne by the vendors.</p> <p>The vendors further agreed to ensure that the quality of the Target Vehicles, at the time of completion of the transfer of each tranche, shall satisfy the reasonable standard and requirements set by our Group.</p>
Expected schedule for acquisition of Target Vehicles:	<p>From 16 October 2017 to 31 December 2017: 2 tractor units and 4 trailers</p> <p>For the year ending 31 December 2018: 12 tractor units and 20 trailers</p> <p>For the year ending 31 December 2019: 14 tractor units and 27 trailers</p>
Payment term:	<p>The consideration for each tranche of Target Vehicles shall be paid within one month of the date of completion of the transfer for such tranche of Target Vehicles</p>

CONNECTED TRANSACTIONS

The expected proportion of gas to be transported by the following ways for the three years ending 31 December 2019 are set out as follows:

	Year ending 31 December		
	2017	2018	2019
- Transported by our gas suppliers	67%	67%	67%
- Transported by Jieli Logistics and/or Changchun Yitonghe under the Transportation Services Agreement	29%	21%	8%
- Transported by owned vehicles to be acquired from Jieli Logistics and/or Changchun Yitonghe	4%	12%	25%

Historical amount:

No historical figures for this transaction during the Track Record Period are available.

Annual caps and basis of determination:

Our Directors estimate that the annual transaction amount for the acquisition of the Target Vehicles for the three years ending 31 December 2019 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2017	2018	2019
	(RMB million)	(RMB million)	(RMB million)
Total consideration for the acquisition of the Target Vehicles	<u>1.0</u>	<u>5.0</u>	<u>6.5</u>

In determining the above annual caps, our Directors have considered generally:

- (a) the net asset value of the Target Vehicles as at 31 December 2016 and the expected depreciation for each tranche of Target Vehicles to be acquired during the three years ending 31 December 2019;
- (b) market prices of the Target Vehicles as at 31 December 2016 and their anticipated market prices for the three years ending 31 December 2019;
- (c) the target acquisition plan for the three years ending 31 December 2019, having taken into account our expansion plan; and

CONNECTED TRANSACTIONS

- (d) the inflation rate of the PRC during the Track Record Period and the expected inflation rate for the three years ending 31 December 2019.

Listing Rules implications:

For the reasons that:

- (i) the Transportation Services Agreement and the Master Acquisition Agreement involve the same parties, namely, our Group and Jieli Logistics and Changchun Yitonghe, being the holding company of Jieli Logistics; and
- (ii) the subject matter of the agreements involves provision of gas transportation services and acquisition of gas transportation vehicles, which are closely related,

the Stock Exchange has aggregated the continuing connected transactions contemplated under the Transportation Services Agreement and the Master Acquisition Agreement. Accordingly, the aggregated annual caps for the three financial years ending 31 December 2019 are RMB5.1 million, RMB19.3 million and RMB11.7 million, respectively. Since the aggregated annual caps exceeds HK\$10 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) also exceeds 5%, the transactions contemplated under the Transportation Services Agreement and the Master Acquisition Agreement are subject to the annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' view:

Our Directors (including our INEDs), after reviewing the terms of the Master Acquisition Agreement, are of the view that the Master Acquisition Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms (or on terms which are no less favourable to our Group), in the ordinary and usual course of business of our Group and the terms of the Master Acquisition Agreement as well as the proposed annual cap (and the aggregate annual caps together with those of the Transportation Services Agreement) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor, having reviewed the relevant information and historical figures (where applicable) relating to the non-exempt continuing connected transactions, and conducted due diligence of such transactions with our Company, are of the view that: (i) the non-exempt continuing connected transactions are and will be entered into in our Group's ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for these transactions (and the aggregate annual caps of such transactions) are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

APPLICATION FOR WAIVER

We expect the non-exempt continuing connected transactions disclosed above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirement once the Shares are listed on the Stock Exchange in respect of such non-exempt continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title	Date of joining our Group	Date of first becoming a Director	Roles and responsibilities
Mr. Zhao Jinmin (趙金岷先生)	48	Chairman Executive Director	July 2007	19 December 2016	Planning our business and marketing strategies and supervising the overall operations of our Group.
Mr. Liu Yingwu (劉英武先生)	49	Executive Director	February 2012	16 March 2017	Overseeing the management and operation of our businesses.
Mr. Wang Qingguo (王慶國先生)	47	Executive Director	16 March 2017*	16 March 2017	Responsible for financial planning and management of our Group; overseeing the internal control and risk management policies of our Group.
Mr. Xu Huilin (徐輝林先生)	41	Executive Director Chief Executive Officer	16 March 2017**	16 March 2017	Planning our business and marketing strategies and overseeing the daily management of our businesses.
Mr. Yu Chen (于臣先生)	63	INED	21 September 2017	21 September 2017	Participating in meetings of the Board to bring an independent judgment on issues which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the Audit Committee, Remuneration Committee and Nomination Committee (as the case may be)
Ms. Su Dan (蘇丹女士)	37	INED	21 September 2017	21 September 2017	Same as above
Mr. Lau Ying Kit (劉英傑先生)	43	INED	21 September 2017	21 September 2017	Same as above

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Position/Title	Date of joining our Group	Date of first becoming a member of the senior management	Roles and responsibilities
Mr. Lo Wai Kit (盧偉傑先生)	44	Chief Financial Officer Company Secretary	1 March 2017	16 March 2017	Overseeing the finance, accounting and company secretarial matters of our Group.
Ms. Bian Xiaodan (邊曉丹女士)	34	Chief Administrative Officer	16 March 2017***	16 March 2017	Overseeing the human resources, administration and public relations matters of our Group.
Mr. Wang Zhiwei (王志偉先生)	51	General Manager of Changchun Sinogas	February 2012	February 2012	Supervising and managing the operation of the refuelling stations in Changchun City.
Mr. Meng Xiange (孟憲革先生)	50	General Manager of Longjing United Strength	July 2007	July 2007	Supervising and managing the operation of the refuelling stations in various cities of Jilin Province.

* Mr. QG Wang first served as the financial controller of Changchun Yitonghe from February 1998 to March 2017, and was officially engaged by our Group in March 2017.

** Mr. Xu Huilin first served as the vice president of United Strength Investment from May 2016 to March 2017, and was officially engaged by our Group in March 2017.

*** Ms. Bian Xiaodan first served as the secretary of the board of directors of Changchun Yitonghe from November 2006 to March 2017, and was officially engaged by our Group in March 2017.

DIRECTORS

Our Board is responsible for and has general powers for managing and leading our business. Our Board consists of four executive Directors and three INEDs.

Executive Directors

Mr. Zhao Jinmin (趙金岷先生), aged 48, is the Chairman of our Board and an executive Director. He is primarily responsible for supervising the overall operations of our Group and planning our business and marketing strategies. Mr. Zhao was appointed as a Director on 19 December 2016 upon the incorporation of our Company and was re-designated as an executive Director on 21 March 2017.

DIRECTORS AND SENIOR MANAGEMENT

As one of the founders of our Group, Mr. Zhao has about 18 years of experience in the oil and gas industry. Since March 1999 up to March 2017, he has been a director of Changchun Yitonghe, which has been principally engaged in the Petroleum Refuelling Business, sales of petroleum products and other petroleum-related businesses and prior to the Reorganisation, the Gas Refuelling Business (partly through our PRC Operating Subsidiaries). He was mainly responsible for Changchun Yitonghe's business development, strategic planning and investment. Since March 2004, Mr. Zhao has also been the chairman of United Strength Investment, a company principally engaged in storage, process and wholesale of oil and petroleum, the petroleum refuelling and investment business.

Since the incorporation of Longjing United Strength in July 2007, Mr. Zhao has been acting as one of its directors. He has been appointed as a director of Yanbian United Strength since October 2008 and he has also been serving as the sole director and general manager of Wuchang Gas since June 2010, responsible for overseeing the overall management and development of the Gas Refuelling Business. For the preparation of the Listing, our Group underwent a series of corporate reorganisation pursuant to which two intermediate investment holding subsidiaries, namely United Strength BVI and United Strength HK, were set up. Mr. Zhao has been the sole director of each of the two subsidiaries since their respective incorporations.

Mr. Zhao was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) from the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), the PRC, in July 1990.

Mr. Zhao was a director of Linjiang City United Strength Energy Development Company Limited (臨江市眾誠能源發展有限公司) ("**Linjiang United Strength**"), a company incorporated in the PRC which was in the preparation of gas refuelling station before its dissolution in January 2017. As confirmed by Mr. Zhao, Linjiang United Strength was solvent at the time of its dissolution and so far as he was aware, the dissolution of Linjiang United Strength has not resulted in any liability or obligation being imposed against him.

Mr. Zhao is the sole shareholder of Golden Truth, one of our Controlling Shareholders directly holding 130,148,240 Shares, representing approximately 55.5% of the total issued share capital of our Company immediately following completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Mr. Liu Yingwu (劉英武先生), aged 49, is an executive Director. He is primarily responsible for overseeing the operation and management of our businesses. Mr. Liu was appointed as a Director on 16 March 2017 and was redesignated as an executive director on 21 March 2017.

As one of the founders of our Group, Mr. Liu has about 18 years of experience in the oil and gas industry. He has been a director of Changchun Yitonghe since March 1999 up to March 2017, responsible for overseeing the management and supervising the operation of the Gas Refuelling Business.

DIRECTORS AND SENIOR MANAGEMENT

Since February 2012, Mr. Liu has been serving as the sole director of Jilin Dongkun Gas. He has also been the sole director and the general manager of Hengtai Energy since March 2012. Mr. Liu has been serving as the chairman and a director of each of Changchun Sinogas and Jilin Clean Energy since December 2014 and October 2014, respectively.

Mr. Liu was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) from the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), the PRC, in July 1990.

Mr. Liu is the sole shareholder of Heroic Year, one of our Shareholders directly holding 17,587,600 Shares, representing approximately 7.5% of the total issued share capital of our Company immediately following completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Mr. Wang Qingguo (王慶國先生), aged 47, is an executive Director. He is primarily responsible for financial planning and management of our Group. Mr. QG Wang was appointed as a Director on 16 March 2017 and was redesignated as an executive Director on 21 March 2017.

As one of the founders of our Group, Mr. QG Wang has about 19 years of experience in financial planning, financial management and overseeing finance matters. He has been the financial controller of Changchun Yitonghe since February 1998 up to March 2017.

Mr. QG Wang completed his studies in Financial Management (財務管理專業) at Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), the PRC, in July 1996.

Mr. QG Wang is the sole shareholder of Noble Praise, one of our Shareholders directly holding 1,758,760 Shares, representing approximately 0.75% of the total issued share capital of our Company immediately following completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Mr. Xu Huilin (徐輝林先生), aged 41, is an executive Director and the Chief Executive Officer who joined our Group in March 2017. He is primarily responsible for planning our business and marketing strategies and overseeing the daily management of our businesses. Mr. Xu was appointed as a Director on 16 March 2017 and was redesignated as an executive Director on 21 March 2017. Mr. Xu does not have any relationship with the owners of Changchun Yitonghe and its subsidiaries.

Since May 2016 up to March 2017, he has been the vice president of United Strength Investment, responsible for handling corporate finance projects and mergers and acquisition as well as strategic planning and investment. During May 2015 to April 2016, Mr. Xu was also a partner of Qian Peng Asset Management (Beijing) Co., Ltd. (乾彭資本管理(北京)有限公司), a company principally engaged in investment, corporate financing and listing consultation. He was mainly responsible for overseeing the management and finance matters.

DIRECTORS AND SENIOR MANAGEMENT

Before he joined our Group, Mr. Xu has over 14 years of experience in the oil and gas industry and finance management, including over 12 years of experience in the Sinochem Group (中國中化集團公司), which is principally engaged in, among other businesses, trading, distribution, development of sale networks of oil and gas products. Mr. Xu had been serving in various subsidiaries of the Sinochem Group and joint ventures of the Sinochem Group and TOTAL S.A., a France-based oil and gas company under various management titles as assistant general manager, deputy general manager and general manager. He was generally responsible for general management and participation in the business operation and development.

Mr. Xu obtained a Bachelor degree and a Master degree in the Department of Chemical Engineering (化學工程系) from Tsinghua University (清華大學), the PRC, in July 1999 and January 2002, respectively. Mr. Xu subsequently obtained an Executive Master of Business Administration (EMBA) degree at China Europe International Business School (中歐國際工商學院), the PRC, in June 2014.

INEDs

Mr. Yu Chen (于臣先生), aged 63, was appointed as our INED on 21 September 2017. Since May 2014, Mr. Yu has been the president of Refined Oil Product Distribution Industry Association of Jilin Province (吉林省成品油流通行業協會), which seeks to provide industry training and offer advice in relation to industry standards and relevant regulations promulgated by the governmental authority. He has about 18 years' experience in the oil and gas industry. During March 1998 to August 2013, Mr. Yu served as the deputy general manager of a branch company of PetroChina Company Limited, i.e. PetroChina Natural Gas. PetroChina and Jilin Petroleum, the 49% equity holder of Jilin Clean Energy and one of our PRC Operating Subsidiaries, were both wholly owned by the same holding company.

Mr. Yu completed his studies in Master of Business Administration (MBA) at the School of Business Management, Jilin University (吉林大學), the PRC, in December 2003.

Ms. Su Dan (蘇丹女士), aged 37, was appointed as our INED on 21 September 2017.

Ms. Su obtained a Bachelor degree in Language and Literature (文學學士) at the Beijing Foreign Studies University (北京外國語大學), the PRC, in July 2002. Ms. Su subsequently obtained a Master degree in Public Administration from the Columbia University, the USA, in October 2005. She was awarded the certificate of independent director qualification (獨立董事資格證書) issued by the Shanghai Stock Exchange in September 2012.

Ms. Su has over ten years' experience in the banking and financial industry. Currently, she is a director of Chinaway International Development Ltd. (漢通國際發展有限公司), a company principally engaged in the provision of market analysis and corporate finance advisory service and is responsible for providing consultancy services to corporate clients. During the period from January 2007 to December 2012, Ms. Su has worked under various managing position in a number of banks or financial institutes, including ICEA Capital Limited (工商東亞融資有限公司), ICBC International Capital Limited (工銀國際融資有限公司) and HSBC Private Bank (Suisse) SA, Hong Kong Branch (匯豐私人銀行(瑞士)有限公司香港分行).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Ying Kit (劉英傑先生), aged 43, was appointed as our INED on 21 September 2017.

Mr. Lau obtained a Bachelor degree of Business from the Victoria University of Technology, Australia in October 2003 and obtained a Master degree in Finance from the City University of Hong Kong, Hong Kong in November 2008. Mr. Lau is a fellow member of the HKICPA.

Mr. Lau has a wealth of experience in accounting and financial areas. From December 2003 to August 2010, Mr. Lau has been the chief financial officer and company secretary of four listed companies in Hong Kong, namely, Sing Lee Software (Group) Limited (stock code: 8076), whose shares are listed on the Growth Enterprise Market of the Stock Exchange, China Glass Holdings Limited (stock code: 3300), Success Dragon International Holdings Limited (formerly known as C Y Foundation Group Limited) (stock code: 1182) and Great Harvest Maeta Group Holdings Limited (stock code: 3683), each of whose shares are listed on the Main Board of the Stock Exchange. His major responsibilities in such companies include overseeing and handling finance matters and company secretarial matters.

Mr. Lau had been a director of Allied Creation Corporation Limited (“**Allied Creation**”) which was a private company incorporated in Hong Kong. Allied Creation was dissolved by deregistration on 4 March 2011 pursuant to Section 291AA of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was repealed by the Companies Ordinance on 3 March 2014. Prior to being dissolved by deregistration, Allied Creation was principally engaged in media and advertising business. Mr. Lau confirmed that Allied Creation was solvent immediately before its date of dissolution and the dissolution of the company had not resulted in any liability or obligation imposed against him.

Mr. Lau has served as an independent non-executive director of Shandong Chenming Paper Holdings Limited (stock code: 1812) for the period from April 2007 to April 2010. Since November 2006, May 2012 and December 2013, respectively, he has also been serving as an independent non-executive director of Kingdom Holdings Limited (stock code: 528), Xiezhong International Holdings Limited (stock code: 3663) and China Wood Optimization (Holding) Limited (stock code: 1885), whose shares are listed on the Main Board of the Stock Exchange. Since June 2011, he has also been serving as a director of Adex Mining Inc. (TSXV stock code: ADE), a listed company on the TSX Venture Exchange in Canada.

General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management of our Company or Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and
- (iv) is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

As at the Latest Practicable Date, except for such interests of Mr. Zhao, Mr. Liu and Mr. QG Wang in the Shares which are disclosed above and in paragraph 3.1(a) under Appendix IV — “Statutory and general information” to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Subject to and as disclosed in the section headed “Relationship with our Controlling Shareholders” in this prospectus, each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from 1 April 2017.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Lo Wai Kit (盧偉傑先生), aged 44, is the Chief Financial Officer and Company Secretary of our Company who joined our Group in March 2017. He is mainly responsible for overseeing the finance, accounting and company secretarial matters of our Group.

Mr. Lo obtained a Bachelor degree of Arts (Honours) in Accountancy from the City University of Hong Kong, Hong Kong in November 1995. He is an associate member of the Association of Chartered Certified Accountants, a fellow member of the HKICPA and a Chartered Financial Analyst.

Mr. Lo has over 18 years of experience in accounting and financial areas. Prior to joining our Group, Mr. Lo has been the company secretary and qualified accountant of Asia Cement (China) Holdings Corporation (whose shares are listed on the Main Board of the Stock Exchange (stock code: 743)) from December 2007 to March 2017, responsible for handling the finance and company secretarial matters.

Ms. Bian Xiaodan (邊曉丹女士), aged 34, is the Chief Administrative Officer who joined our Group in March 2017. She is mainly responsible for overseeing the human resources, administration and public relations matter of our Group. Prior to joining our Group, Ms. Bian has served as the secretary of the board of directors of Changchun Yitonghe during the period from November 2006 to March 2017. She has more than 10 years of experience in general administration and affairs of corporations.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Bian obtained a Master degree in Business Administration from the Asia International Open University (Macau) (亞洲(澳門)國際公開大學) (now renamed as City University of Macau (澳門城市大學)), Macau in November 2008.

Mr. Wang Zhiwei (王志偉先生), aged 51, is the general manager of Changchun Sinogas. He had served as a director of the department of management of Changchun Yitonghe from October 2003 to May 2011, whose duties include managing the operation of the business.

In February 2012, Mr. Wang joined our Group as the general manager of Jilin Dongkun Gas. He has also been a director of Jilin Clean Energy since October 2014. During the period from December 2014 to August 2015, he was the general manager of Changchun Sinogas and was reappointed in October 2016. He has also been the sole director and the general manager of MHK Yujia Petrochemical since December 2016. Mr. Wang's major responsibilities in our Group include supervising and managing the operation of the refuelling stations with a particular focus in those located in Changchun City, Jilin Province.

Mr. Wang was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) from the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), the PRC, in July 1990.

Mr. Meng Xiange (孟憲革先生), aged 50, is the general manager of Longjing United Strength. Prior to joining our Group, Mr. Meng has about 21 years of experience in the brewery business including holdings various managing positions in such companies.

In July 2007, Mr. Meng joined our Group as a director of Longjing United Strength. He has also been a director, the chairman and the general manager of Yanbian United Strength since October 2008, August 2009 and January 2014 respectively. Mr. Meng's major responsibilities in our Group include supervising and managing the operation of the refuelling stations with a particular focus in those located in Yanji City, Longjing City and Helong City, Jilin Province.

Mr. Meng was awarded a Bachelor degree in Machinery and Equipment Manufacturing Engineering (機械製造工藝及設備專業) from Jilin Institute of Technology (吉林工學院) (now renamed as Changchun University of Technology (長春工業大學)), the PRC, in July 1988.

Save as disclosed above, none of our senior management members held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Human Resources

Our Company maintains good employee relations. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

DIRECTORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, we had 240 employees, most of whom are located in PRC. Please refer to the section headed “Business — Employees” in this prospectus for details of breakdown of our employees by function.

Benefits and social insurance

As required by the Chinese regulations on social insurance, our Group participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance, maternity insurance and housing fund.

For the three years ended 31 December 2016 and the three months ended 31 March 2017, our Group accrued (i) staff’s salaries, wages and other benefits in the sum of approximately RMB7.4 million, RMB11.0 million, RMB12.4 million and RMB3.7 million respectively and (ii) contributions to defined contribution retirement plans in the sum of approximately RMB1.1 million, RMB1.6 million, RMB1.7 million and RMB0.4 million respectively.

Remuneration Policy

The aggregate amounts of remuneration of our Directors for the three years ended 31 December 2016 and the three months ended 31 March 2017 were nil, nil, nil and nil respectively. Details of the arrangement for remuneration are set out in Note 8 to the Accountants’ Report in Appendix I to this prospectus. Under such arrangement and pursuant to the Directors’ service agreements and letters of appointment referred to in paragraph 3.2 under Appendix IV — “Statutory and general information” to this prospectus, the aggregate amount of Directors’ fee and other emoluments payable to our Directors for the year ending 31 December 2017 is estimated to be approximately RMB2.4 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

After Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The Audit Committee, Remuneration Committee, and Nomination Committee were approved to be established by resolutions passed by our Board on 21 September 2017. The membership of such committees is as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Directors</i>			
Mr. Zhao	—	—	—
Mr. Liu	—	Member	—
Mr. QG Wang	—	—	—
Mr. Xu	—	—	Member
<i>INEDs</i>			
Mr. Yu Chen	Member	Chairman	Member
Ms. Su Dan	Member	Member	Chairman
Mr. Lau Ying Kit	Chairman	—	—

Each of the above committees has written terms of reference. The functions of the above three committees are summarised as follows:

Audit Committee

Our Audit Committee has written terms of reference in compliance with Code C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and material and provide advice in respect of financial reporting, risk management and oversee the internal control systems of our Company.

Remuneration Committee

Our Remuneration Committee has written terms of reference in compliance with Code B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group; to review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination Committee

Our Nomination Committee has written terms of reference in compliance with Codes A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed

DIRECTORS AND SENIOR MANAGEMENT

changes to the Board to complement our Company's corporate strategy; to identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our Chairman and the Chief Executive Officer.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of corporate governance in the management structures and internal control of our Group so as to achieve accountability.

Our Company has adopted the provisions stated in the CG Code as set forth in Appendix 14 to the Listing Rules. Our Board has a balanced composition of executive Directors and INEDs, allowing the Board to effectively exercise independent judgment.

Our Directors are aware that we are expected to comply with the CG Code upon and after Listing. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. We will continue to comply with the CG Code to protect the best interests of our Shareholders upon and after Listing.

COMPLIANCE ADVISER

We have appointed GF Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

- (a) (before its publication) any regulatory announcement, circular or financial report;
- (b) a transaction is contemplated, which might be a notifiable or connected transaction or will involve share issues and share repurchases;
- (c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of dispatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of our Company as at the date of this prospectus and immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long Positions in Shares of our Company

Name of Shareholder	Nature of interest/ Capacity	As at the date of this prospectus		Immediately after the Capitalisation Issue and the Global Offering	
		Number of Shares	Approximate percentage of shareholding in our Company	Number of Shares	Approximate percentage of shareholding in our Company
Golden Truth (Note 1)	Beneficial owner	740	74%	130,148,240	55.50%
Dynamic Fame (Note 2)	Beneficial owner	150	15%	26,381,400	11.25%
Ms. Xu (Note 2)	Interest of controlled corporation	150	15%	26,381,400	11.25%
Heroic Year (Note 3)	Beneficial owner	100	10%	17,587,600	7.50%

Notes:

- Golden Truth is wholly owned by Mr. Zhao, our Chairman and an executive Director.
- Dynamic Fame is wholly owned by Ms. Xu. By virtue of the SFO, Ms. Xu is deemed to be interested in the same parcel of Shares in which Dynamic Fame is interested.
- Heroic year is wholly owned by Mr. Liu, an executive Director.

SUBSTANTIAL SHAREHOLDERS

In addition to the above and so far as our Directors are aware, immediately following the completion of the Global Offering, the following person is directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

Name of our subsidiary	Substantial shareholder of such subsidiary	Approximate percentage of shareholding
Jilin Clean Energy	Jilin Petroleum	49%
Yanbian United Strength	Mr. Shao Wenyan	40%

Saved as disclosed above, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group as at the date of this prospectus and once the Shares are listed on the Stock Exchange.

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering:

<i>Number</i>		<i>HK\$</i>
<i>Authorised share capital:</i>		
800,000,000	Shares	80,000,000
<i>Issued and to be issued and fully paid or credited as fully paid:</i>		
1,000	Shares in issue as at the date of this prospectus	100
175,875,000	Shares to be issued pursuant to the Capitalisation Issue	17,587,500
<u>58,626,000</u>	Shares to be issued pursuant to the Global Offering	<u>5,862,600</u>
<u>234,502,000</u>	Total (<i>Note</i>)	<u>23,450,200</u>

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

Note: The share capital of our Company will be enlarged by up to an additional 8,792,000 Shares in the event that the Over-allotment Option is exercised in full.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued Shares of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlement under the Capitalisation Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph 3.5 under Appendix IV — “Statutory and general information” to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Issuing Mandate to allot, issue and deal in a total number of Shares of not more than the aggregate of:

- (i) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and
- (ii) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Issuing Mandate, please see paragraph 1.3 under Appendix IV — “Statutory and general information” to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in paragraph 1.7 under Appendix IV — “Statutory and general information” to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, see paragraph 1.3 under Appendix IV — “Statutory and general information” to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our financial information as at and for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017 included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes. We have prepared the financial information included in the Accountants' Report in accordance with IFRSs.

This discussion contains forward-looking statements that reflect the current views of management and involve risks and uncertainties. Our actual results may differ materially from these forward-looking statements as a result of many factors, including but not limited to those described under the section headed "Risk factors" and elsewhere in this prospectus.

OVERVIEW

We are a leading vehicle CNG refuelling station operator in Jilin Province, the PRC. According to the F&S Report, we ranked second with a market share of approximately 6.2% in Jilin Province's CNG refuelling station market in terms of CNG sales volume in 2016.

We operated a total of 19, 23, 20 and 20 CNG refuelling stations (including one mixed station with CNG and LNG for sales) in Northeast China with approximately 87.2%, 92.0%, 92.8% and 92.6% of our total revenue attributable to sales of CNG for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. In addition to operation of CNG refuelling stations, we also generated a portion of our total revenue from (i) the operation of LPG and LNG refuelling stations and (ii) the ancillary business of wholesale of CNG and LPG in 2016 and the three months ended 31 March 2017. Revenue from the sales of LPG accounted for approximately 11.3%, 7.1%, 6.7% and 6.9% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Revenue from the sales of LNG accounted for approximately 1.5%, 0.9%, 0.5% and 0.5% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, our revenue was approximately RMB251.8 million, RMB292.1 million, RMB274.6 million and RMB55.9 million, respectively. The ancillary business of wholesale of CNG and LPG undertaken during the year ended 31 December 2016 and the three months ended 31 March 2017 accounted for approximately 5.6% and 0.6% of our total revenue for the respective periods.

We recorded a net profit of approximately RMB9.2 million, RMB28.3 million, RMB34.6 million and RMB1.5 million for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Our total assets as at 31 December 2014, 2015 and 2016 and as at 31 March 2017 amounted to approximately RMB164.9 million, RMB156.9 million, RMB205.4 million and RMB155.7 million, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION AND PREPARATION

The financial information in this prospectus (excluding the Accountants' Report as set out in the "Appendix I — Accountants' Report"), which reflects the consolidated historical financial information of our Group, is presented in Renminbi except as stated otherwise. Such financial information is prepared using a historical cost basis except as set out in the accounting policies in note 2 of "Appendix I — Accountants' Report".

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Track Record Period, the following factors have significantly affected our results of operations and financial condition:

Purchase price and selling price of CNG

Natural gas is the most important raw material for our gas refuelling station business and constitutes a majority portion of our cost of sales. Our cost of sales and gross profit margin are directly affected by the fluctuations in the purchase price of natural gas.

The table below sets forth the average cost by product type for the periods indicated and the year on year percentage change in average cost by product type:

	Year ended 31 December					Three months ended 31 March		
	2014	2015	YoY	2016	YoY	2016	2017	YoY
			percentage		percentage			percentage
RMB/unit	RMB/unit	change	RMB/unit	change	RMB/unit	RMB/unit	change	
		%		%			%	
CNG (/m ³)	3.47	3.04	(12.4)	2.29	(24.7)	2.59	2.18	(15.8)
LNG (/tonne)	5,167	3,798	(26.5)	2,733	(28.0)	3,444	3,049	(11.5)
LPG (/tonne)	6,198	4,800	(22.6)	3,638	(24.2)	4,301	4,032	(6.3)

Note: Average cost is calculated by the cost of sales of each product during the respective period divided by the sales volume for each product during the respective period.

The purchase price of natural gas and CNG depends on a range of factors, including among others, the market demand and supply of natural gas in China, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil. On the other hand, the purchase price of CNG and alternative energy sources, market demand, and competitive landscape of each refuelling station may impact the retail selling price of CNG. In particular, our refuelling station business scale is relatively small in the PRC and our Directors believe that if sizeable energy enterprises such as one of the Big Three Oil Giants, which are generally in control of upper and midstream fuel supply in the PRC, further expand their gas refuelling operations in Jilin Province by way of undercutting the retail price of natural gas, our Group may not be able to

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maintain the same level of sales and profit margin. If we are unable to pass on the impact of the increase in purchase prices of natural gas to our customers by adjusting our retail selling price in a timely manner due to price competition with other refuelling station operators which manage to procure natural gas at lower costs, or misjudgment on appropriate adjustment of retail price at our refuelling stations, our gross profit, cash flow and results of operations will be materially and adversely affected.

In spite of the decrease in our average retail selling prices of CNG, LPG and LNG during the Track Record Period, our gross profit margin of retail sales experienced an overall increase from approximately 17.5% in 2014 to 25.3% in 2015 to 32.0% in 2016 and further to 35.9% for the three months ended 31 March 2017, which was primarily due to a decrease in the average unit purchase price of natural gas at a higher rate than that in average unit retail prices of our products. Our total gross profit was approximately RMB44.1 million, RMB73.9 million, RMB87.0 million, RMB17.1 million, and RMB20.0 million for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively.

There is no assurance that the upward trend of our gross profit margin during the Track Record Period will continue given that the aforementioned factors affecting the purchase price and selling price of CNG, including among others, the market demand and supply of natural gas in China, the Urban Gate Station Price set by the NDRC, development of shale mining and alternative energy and the price trend of international crude oil is beyond our control. As such, we cannot assure you that we can maintain our gross profit margin and that the growth in our revenue can cover the increase in our selling and distribution expenses after the Listing. If there is an increase in the purchase price and we are unable to shift the increased cost to our customers by adjusting our selling price, our revenue, cash flow and results of operation may be materially and adversely affected.

The table below sets forth a sensitivity analysis illustrating the hypothetical changes in our gross profit margin for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017 if the purchase price was 5%, 10% and 20% higher or lower, respectively, assuming other factors affecting our Group's gross profit remained the same:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	%	%	%	%
Gross profit margin	17.5	25.3	31.7	35.8
<i>Per unit purchase price of</i>				
<i>CNG</i>				
+/-5%	-/+3.5%	-/+3.4%	-/+3.1%	-/+2.9%
+/-10%	-/+7.1%	-/+6.8%	-/+6.3%	-/+5.9%
+/-20%	-/+14.2%	-/+13.6%	-/+12.6%	-/+11.7%

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Demand for our products

Our revenue is generated predominantly from the distribution of CNG to vehicular end-users. Revenue of CNG accounted for 87.2%, 92.0%, 92.8% and 92.6% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. As such, our business relies on persistent demand for CNG from natural gas vehicular end-users. During the Track Record Period, the increase in demand for CNG was reflected in the increase in our CNG sales volume. However, the demand for our products, in particular CNG, may depend on a number of factors, including amongst others, competition with other market players and the availability of substitutes, such as electric vehicles, the usage of which have been promoted by governmental support and technological advancements in various aspects, including fuel efficiency. According to the F&S Report, gasoline and diesel vehicles accounted for over 96% of the vehicle population in China in 2016 and New Energy Vehicles such as electric vehicles accounted for 0.6% of the vehicle population in China in 2016. The use of these other types of vehicles may grow and pose a threat to the demand for CNG as well as other forms of natural gas. In addition, competition from other gas refuelling stations will likely influence the customer flow, our ability to shift increased purchase price of fuel without affecting our profit margin, and pose threat to our operations. If the demand for CNG weakens, our revenue, cash flow and results of operation will be materially and adversely affected.

Acquisition of refuelling stations under our operation

We believe expansion of our existing refuelling stations network is essential to increase our market share and maintain our leading market position in Jilin Province, the PRC. For instance in late 2014, our Group has made acquisitions in which the entire equity interests of Changchun Sinogas, through acquiring 100% equity interests of China Source BVI, and 51% equity interests of Jilin Clean Energy were acquired. The business of Changchun Sinogas and Jilin Clean Energy for sale of natural gas to vehicular end-users by operating of vehicle gas refuelling stations was business acquired by our Group and the business of a branch of Changchun Sinogas for wholesale of natural gas was excluded by our Group. Such business with the same principal activities of our Group was included in the historical financial information as business acquired by our Group. Please refer to note 27 in the Accountants' Report as set out in Appendix I to this prospectus for further details concerning the acquisitions during the Track Record Period. It is also our Group's strategy to further expand our business and market share through acquisition of refuelling stations.

The growth of our business depends on, amongst other factors, our Group's ability to make acquisitions of refuelling stations and maintain the operations of existing refuelling stations. However, there is no guarantee that we may be able to consistently make profitable acquisitions nor can we guarantee that our existing refuelling stations can continue to operate without interruptions. If we are unable to make successful acquisitions to expand our refuelling stations network or if our rate of expansion is slower than expected, our revenue, cash flow and results of operation will be materially and adversely affected.

Please refer to the section headed "Risk factors — Risks relating to our business and industry — We may not be able to execute our business strategy successfully or manage our growth effectively

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because we may experience difficulty in estimating when or where we can complete acquisition of companies with CNG refuelling station business which fulfill our acquisition requirement with precision, and future acquisitions may be expensive and may ultimately fail” in this prospectus for further details.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of the consolidated historical financial information of our Group for the Track Record Period. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. When reviewing the consolidated historical financial information of our Group for the Track Record Period, you should consider (i) our selection of significant accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. The following discussion provides information on our significant accounting policies. Our significant accounting policies, judgments and estimates, which are important for an understanding of our financial conditions and results of operations, are set forth in more details in note 2 and note 3 of the Accountants’ Report in Appendix I to this prospectus.

Business combinations

Our Group accounts for business combinations using the acquisition method when control is transferred to our Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

	Estimated useful lives
— Buildings	Over the shorter of the term of lease and their estimated useful lives
— Refuelling equipment	3—15 years
— Motor vehicles and other equipment	3—10 years

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

Impairment of assets

(i) Impairment of investments in debt securities and receivables

Investments in debt securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

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If any such evidence exists, any impairment loss is determined and recognised as follows:

- for trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

- for available-for-sale debt securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the respective receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

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(ii) Impairment of other assets

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

- property, plant and equipment; and
- prepaid interests in leasehold land classified as being held under an operating lease.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

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Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(h)(ii) of the Accountants’ Report in Appendix I to this prospectus. These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. Our Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Depreciation

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

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Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

STATEMENTS OF PROFIT OR LOSS LINE ITEMS

The following table sets forth the consolidated statements of profit or loss for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017 as extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	251,778	292,127	274,605	69,504	55,920
Cost of sales	(207,659)	(218,220)	(187,607)	(52,394)	(35,923)
Gross profit	44,119	73,907	86,998	17,110	19,997
Other income	4,103	3,182	6,264	1,317	1,619
Staff costs	(8,514)	(12,557)	(14,057)	(3,896)	(4,156)
Depreciation and amortisation	(7,546)	(10,264)	(10,080)	(2,594)	(2,734)
Operating lease charges	(2,067)	(3,305)	(4,519)	(1,142)	(852)
Other operating expenses	(11,445)	(14,616)	(18,744)	(3,163)	(10,513)
Profit from operations	18,650	36,347	45,862	7,632	3,361
Finance costs	(5,969)	(753)	(583)	(253)	(118)
Profit before taxation	12,681	35,594	45,279	7,379	3,243
Income tax	(3,517)	(7,334)	(10,653)	(1,668)	(1,697)
Profit for the year/period	9,164	28,260	34,626	5,711	1,546
Attributable to:					
Equity shareholders of the Company	8,470	26,190	34,186	5,515	1,021
Non-controlling interests	694	2,070	440	196	525
Profit for the year/period	9,164	28,260	34,626	5,711	1,546

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Revenue

We are a leading vehicle CNG refuelling station operator in Jilin Province. As at 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, we operated a total of 19, 22, 20, 22 and 20 CNG refuelling stations (including one mixed station with CNG and LNG sales) in the Northeast China. In addition to operation of CNG refuelling stations, we generated a portion of our total revenue from (i) the operation of LPG and LNG refuelling stations and (ii) ancillary business of wholesale of CNG and LPG during the year ended 31 December 2016 and the three months ended 31 March 2017. As at the Latest Practicable Date, most of our refuelling stations were located in Jilin Province, with the exception of one CNG station and one LPG station located in Heilongjiang Province.

For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, our total revenue amounted to approximately RMB251.8 million, RMB292.1 million, RMB274.6 million, RMB69.5 million and RMB55.9 million, respectively. The increase in revenue for the year ended 31 December 2015 as compared with that in 2014 was mainly attributable to the effect of the increase in the total sales volume of CNG, offset by a slight decrease in the average selling price of CNG. The decrease in revenue for the year ended 31 December 2016 as compared to that in 2015 was mainly caused by the decrease in average selling price of CNG, partially offset by the increase in the total sales volume of CNG. The decrease in revenue for the three months ended 31 March 2017 as compared to that in 2016 was mainly caused by a decrease in the sales volume of CNG as a result of (i) the decrease in the number of CNG stations from 22 as at 31 March 2016 to 20 as at 31 March 2017 and (ii) increased competition faced by certain refuelling stations located in Changchun City.

For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, we sold an aggregate of approximately 51.5 million m³, 65.6 million m³, 75.4 million m³, 18.9 million m³ and 15.0 million m³ of CNG through our CNG refuelling stations, respectively and generated from the sales of CNG a revenue of approximately RMB219.5 million, RMB268.8 million, RMB254.9 million, RMB65.3 million and RMB51.8 million, respectively, representing approximately 87.2%, 92.0%, 92.8%, 93.9% and 92.6% of our total revenue for the corresponding periods.

We strategised to expand our CNG operation due to the market trend of increased use of CNG in short distance vehicles such as local buses, taxis and private vehicles. According to the F&S Report, CNG is the most widely used natural gas fuel of vehicles in China due to its lower production and storage costs while the LNG refuelling market in China is still in the emerging stage due to its relatively high costs of processing, liquefaction and storage compared with CNG. On the other hand, LPG stations are now gradually closed and replaced by CNG stations. As such, our revenue generated from LPG had decreased during the Track Record Period steadily and we generated a revenue of approximately RMB28.5 million, RMB20.7 million, RMB18.5 million, RMB3.9 million and RMB3.9 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, we sold approximately 4,192 tonnes, 3,569 tonnes, 3,993 tonnes, 734 tonnes and 720 tonnes of LPG, respectively. The increase in sales volume of LPG for the year ended 31 December 2016 as compared with that in 2015 was due to ancillary business of wholesale of LPG made during 2016. With respect to LNG, we sold approximately 593 tonnes, 466 tonnes, 273 tonnes, 63 tonnes and 61 tonnes of LNG, respectively, and generated from the sales of LNG a revenue of

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approximately RMB3.8 million, RMB2.6 million, RMB1.3 million, RMB0.3 million and RMB0.3 million, respectively, through the one mixed station located in Yanji Development Zone, Jilin Province for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017.

Revenue by product mix

The following table sets forth our product mix and the products' respective sales volume, revenue and percentage of revenue for the respective periods indicated:

	Year ended 31 December									Three months ended 31 March					
	2014			2015			2016			2016			2017		
	Sales volume	Revenue	Percentage of revenue	Sales volume	Revenue	Percentage of revenue	Sales volume	Revenue	Percentage of revenue	Sales volume	Revenue	Percentage of revenue	Sales volume	Revenue	Percentage of revenue
	unit	RMB'000	%	unit	RMB'000	%	unit	RMB'000	%	unit	RMB'000	%	unit	RMB'000	%
CNG (million m ³)	51.5	219,532	87.2	65.6	268,824	92.0	75.4	254,859	92.8	18.9	65,260	93.9	15.0	51,790	92.6
LPG (tonne)	4,192	28,489	11.3	3,569	20,748	7.1	3,993	18,484	6.7	734	3,933	5.7	720	3,851	6.9
LNG (tonne)	593	3,757	1.5	466	2,555	0.9	273	1,262	0.5	63	311	0.4	61	279	0.5
Total		<u>251,778</u>			<u>292,127</u>			<u>274,605</u>			<u>69,504</u>			<u>55,920</u>	

We generated our revenue primarily from the distribution of natural gas in the form of CNG to retail vehicular end-users. CNG represented approximately 87.2%, 92.0%, 92.8%, 93.9% and 92.6% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively.

We also generated revenue from the distribution of LPG to our customers who are primarily retail vehicular end-users. LPG represented approximately 11.3%, 7.1%, 6.7%, 5.7% and 6.9% of our total revenue from distribution of LPG for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively. Despite the decrease in the percentage of revenue generated from the distribution of LPG, the sales volume of LPG increased for the year ended 31 December 2016, primarily due to ancillary wholesale of LPG made during 2016.

We also generated a small portion of revenue from the distribution of LNG to retail vehicular end-users. LNG represented approximately 1.5%, 0.9%, 0.5%, 0.4% and 0.5% of our total revenue generated from one mixed station located in Yanji Development Zone, Jilin Province for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively.

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Average selling price of CNG, LPG and LNG

The following table sets forth the revenue, sales volume and average selling price of CNG, LPG and LNG for the respective periods indicated:

	Year ended 31 December									Three months ended 31 March					
	2014			2015			2016			2016			2017		
	Sales volume	Revenue	Average selling price/unit ⁽¹⁾	Sales volume	Revenue	Average selling price/unit ⁽¹⁾	Sales volume	Revenue	Average selling price/unit ⁽¹⁾	Sales volume	Revenue	Average selling price/unit ⁽¹⁾	Sales volume	Revenue	Average selling price/unit ⁽¹⁾
RMB'000			RMB'000			RMB'000			RMB'000			RMB'000			
CNG (million m ³)	51.5	219,532	RMB4.3/m ³	65.6	268,824	RMB4.1/m ³	75.4	254,859	RMB3.4/m ³	18.9	65,260	RMB3.5/m ³	15.0	51,790	RMB3.5/m ³
LPG (tonne)	4,192	28,489	RMB6,796/tonne	3,569	20,748	RMB5,813/tonne	3,993	18,484	RMB4,629/tonne	734	3,933	RMB5,358/tonne	720	3,851	RMB5,349/tonne
LNG (tonne)	593	3,757	RMB6,336/tonne	466	2,555	RMB5,483/tonne	273	1,262	RMB4,623/tonne	63	311	RMB4,937/tonne	61	279	RMB4,574/tonne
Total		251,778			292,127			274,605			69,504			55,920	

Note (1): Average selling price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the respective period.

During the Track Record Period, our average selling price for CNG, LPG and LNG recorded a general decreasing trend. Our average selling price was primarily subject to (i) fluctuation in our purchase price for fuels; and (ii) price competition faced by certain refuelling stations.

The average selling price of CNG was approximately RMB4.3 per m³, RMB4.1 per m³, RMB3.4 per m³, RMB3.5 per m³ and RMB3.5 per m³ for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively. The decrease in the average selling price of CNG during the Track Record Period was primarily due to the lowering of the Urban Gate Station Price, which had indirectly led to the decrease in average selling price of CNG through the price-conduction mechanism in the industry and the decrease in the price of international crude oil. The average selling price of CNG remained stable at approximately RMB3.5 per m³ for the three months ended 31 March 2016 and for the three months ended 31 March 2017.

The average selling price of LPG was approximately RMB6,796 per tonne, RMB5,813 per tonne, RMB4,629 per tonne, RMB5,358 per tonne and RMB5,349 per tonne for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively. The decrease in the average selling price of LPG for the years ended 31 December 2014, 2015 and 2016 was primarily due to a reduction in the price of international crude oil in 2014 and 2015, coupled with the decrease in the market demand for LPG during the period while the average selling price of LPG remained stable at approximately RMB5,358 per tonne for the three months ended 31 March 2016 compared to RMB5,349 per tonne for the three months ended 31 March 2017.

The average selling price of LNG was approximately RMB6,336 per tonne, RMB5,483 per tonne, RMB4,623 per tonne, RMB4,937 per tonne and RMB4,574 per tonne for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively. Similar to CNG, the decrease in the average selling price of LNG for the years ended 31 December 2014, 2015

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and 2016 was primarily due to the decrease in the price of international crude oil and the lowering of the Urban Gate Station Price, which had indirectly led to the decrease in average selling price of LNG. The average selling price of LNG decreased from approximately RMB4,937 per tonne for the three months ended 31 March 2016 to RMB4,574 per tonne for the three months ended 31 March 2017, primarily due to the increase in price competition from neighbouring competitors in certain regions, driving down the average selling price in order to increase the sales of LNG.

Revenue by sales type

The following table sets forth the revenue and percentage of revenue for our retail and wholesale sales for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017:

Type of sales	Year ended 31 December												Three months ended 31 March							
	2014				2015				2016				2016				2017			
	Percentage of Revenue		Gross profit margin		Percentage of Revenue		Gross profit margin		Percentage of Revenue		Gross profit margin		Percentage of Revenue		Gross profit margin		Percentage of Revenue		Gross profit margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Retail	251,778	100	44,119	17.5	292,127	100	73,907	25.3	259,329	94.4	83,020	32.0	69,504	100	17,110	24.6	55,568	99.4	19,936	35.9
Wholesale	nil	nil	nil	nil	nil	nil	nil	nil	15,276	5.6	3,978	26.0	nil	nil	nil	nil	352	0.6	61	17.3
Total	251,778	100	44,119	17.5	292,127	100	73,907	25.3	274,605	100	86,998	31.7	69,504	100	17,110	24.6	55,920	100	19,997	35.8

During the Track Record Period, most of our revenue was generated from retail customers, which represented approximately 100%, 100%, 94.4%, 100% and 99.4% of our revenue for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively. Revenue generated from wholesale customers is ancillary in nature and accounted for only approximately 5.6% and 0.6% of our total revenue during the year ended 31 December 2016 and the three months ended 31 March 2017.

Cost of sales

Our cost of sales primarily consisted of all costs of purchase of CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and condition. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, our cost of sales amounted to approximately RMB207.7 million, RMB218.2 million, RMB187.6 million, RMB52.4 million and RMB35.9 million, respectively.

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The table below sets forth the breakdown of our cost of sales by product mix for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
CNG	178,609	86.0	199,318	91.3	172,335	91.9	49,020	93.6	32,834	91.4
LPG	25,986	12.5	17,132	7.9	14,526	7.7	3,157	6.0	2,903	8.1
LNG	3,064	1.5	1,770	0.8	746	0.4	217	0.4	186	0.5
Total	207,659	100	218,220	100	187,607	100	52,394	100	35,923	100

The table below sets forth the average cost by product type for the periods indicated and the year to year percentage change in average cost by product type:

	Year ended 31 December					Three months ended 31 March		
	2014	2015	YoY percentage change	2016	YoY percentage change	2016	2017	YoY percentage change
	RMB/unit	RMB/unit	%	RMB/unit	%	RMB/unit	RMB/unit	%
CNG (/m ³)	3.47	3.04	(12.4)	2.29	(24.7)	2.59	2.18	(15.8)
LNG (/tonne)	5,167	3,798	(26.5)	2,733	(28.0)	3,444	3,049	(11.5)
LPG (/tonne)	6,198	4,800	(22.6)	3,638	(24.2)	4,301	4,032	(6.3)

Note: Average cost is calculated by the cost of sales of each product during the respective period divided by the sales volume for each product during the respective period.

The fluctuation in the cost of sales for the year ended 31 December 2014, 2015 and 2016 was primarily due to the decrease in the unit cost of procuring CNG, LPG and LNG. The decrease in the unit cost of procuring CNG and LNG for the year ended 31 December 2014, 2015 and 2016 was due to a decrease in price of international crude oil and the lowering of the Urban Gate Station Price, coupled with increase in supply of natural gas as a result of the completion of Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線). The decrease in the unit cost of procurement of LPG was primarily due to the decrease in the price of international crude oil.

Our cost of sales decreased from approximately RMB52.4 million for the three months ended 31 March 2016 to approximately RMB35.9 million for the three months ended 31 March 2017 primarily due to (i) a decrease in the unit cost of procuring CNG from suppliers of our Group as a result of further increase in the supply of natural gas during the period; and (ii) a decrease in sales volume as a result of the decrease in the number of CNG stations from 22 as at 31 March 2016 to 20 as at 31 March 2017.

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Gross profit and gross profit margin

As detailed in the section headed “Financial information — Significant factors affecting our results of operations and financial condition” in this prospectus, fluctuation in our gross profit and gross profit margin during the Track Record Period was attributable to various factors including the fluctuations of the purchase price and selling price of fuels.

The table below sets forth the breakdown of our gross profits and gross profit margins by product mix for the respective periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2014		2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
CNG	40,923	18.6	69,506	25.9	82,524	32.4	16,240	24.9	18,956	36.6
LPG	2,503	8.8	3,616	17.4	3,958	21.4	776	19.7	948	24.6
LNG	693	18.4	785	30.7	516	40.9	94	30.2	93	33.3
Total	44,119	17.5	73,907	25.3	86,998	31.7	17,110	24.6	19,997	35.8

Our Group’s gross profit increased by approximately 67.6% to RMB73.9 million for the year ended 31 December 2015 from RMB44.1 million for the year ended 31 December 2014, and further increased by approximately 17.7% to RMB87.0 million for the year ended 31 December 2016. Our Group’s gross profit increased by approximately 17.0% to RMB20.0 million for the three months ended 31 March 2017 from RMB17.1 million for the three months ended 31 March 2016.

The increase in gross profit of our Group for the year ended 31 December 2015 and 2016 was primarily due to (i) the increase in sales of CNG particularly driven by the additional contribution of revenue by the acquisition of the Changchun Sinogas and Jilin Clean Energy in late 2014; (ii) the decrease in the cost of procuring CNG from suppliers of our Group, caused by the decrease in the Urban Gate Station Price, the increase in supply of natural gas as a result of the completion of the Harbin-Shenyang Gas Trunkline (哈濱天然氣幹線) and the decrease in the price of international crude oil; and (iii) the less than proportional decrease in average selling price of CNG during the period, which was mainly attributable to the further acceleration of the market-oriented reform of natural gas price whereby the sale price of natural gas for vehicles should be liberalised and determined by the selling enterprises under the premises of stable supply and full competition of the vehicle natural gas market. The increase in gross profit of our Group from approximately RMB17.1 million for the three months ended 31 March 2016 to RMB20.0 million for the three months ended 31 March 2017 was primarily due to the decrease in the unit cost of procuring CNG from suppliers of our Group caused by further increase in supply of natural gas, coupled with relatively stable average selling price of CNG during the period.

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Our gross profit margin was approximately 17.5%, 25.3%, 31.7%, 24.6% and 35.8% for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively. The increase in gross profit margin from 17.5% for the year ended 31 December 2014 to 25.3% for the year ended 31 December 2015 was primarily due to (i) the decrease in the unit cost of procuring CNG from suppliers of our Group, caused by decrease in the price of international crude oil and the lowering of the Urban Gate Station Price, coupled with the increase in supply of gas in Northeast China as a result of the completion of the Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線); and (ii) the less than proportional decrease in average selling price of CNG during the period, which was mainly attributable to further accelerating the market-oriented reform of natural gas price whereby the selling price of natural gas for vehicles should be liberalised and determined by the selling enterprises under the premises of stable supply and full competition of the vehicle natural gas market. Our gross profit margin increased from 24.6% for the three months ended 31 March 2016 to 35.8% for the three months ended 31 March 2017 primarily due to the decrease in the unit cost of procuring CNG from suppliers of our Group caused by the increase in supply of natural gas, coupled with the relatively stable average selling price of CNG during the period.

Other income

The table below sets forth a breakdown of our other income for the respective periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Rental income from operating leases	1,512	1,195	5,015	972	1,272
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party	350	913	1,100	275	275
Net gain/(loss) on disposal of property, plant and equipment and land use rights	2	(613)	(161)	(1)	(2)
Government grants	1,736	942	44	11	61
Interest income	40	729	38	12	10
Others	463	16	228	48	3
Total	<u>4,103</u>	<u>3,182</u>	<u>6,264</u>	<u>1,317</u>	<u>1,619</u>

Our other income consisted primarily of (i) government grants which represent grants provided by Yanbian government authority for subsidising interests in bank loans; (ii) rental income from operating leases; and (iii) entrustment fee in connection with petroleum refuelling stations entrusted to a related party. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, our other income amounted to approximately RMB4.1 million, RMB3.2 million, RMB6.3 million, RMB1.3 million and RMB1.6 million, respectively. The increase in other

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income for the year ended 31 December 2016 as compared to that of 2015 was primarily attributable to (i) the increase in entrustment fee arising from the entrusted agreement to entrust Changchun Yitonghe with the right to operate and manage the Petroleum Refuelling Business of the Group Entrusted Refuelling Stations; and (ii) the increase in rental income from leasing of natural gas cylinder road tanker to Jieli Logistics of approximately RMB2.4 million. The decrease in other income for the year ended 31 December 2015 as compared to that of 2014 was primarily due to decrease of government grants. The increase in other income for the three months ended 31 March 2017 as compared to that of 2016 was primarily due to the increase in rental income from an additional operating lease agreement commenced since April 2016.

Staff costs

The following table sets forth a breakdown of our staff costs for the respective periods indicated:

	Year ended 31 December						For the three months ended 31 March			
	2014		2015		2016		2016		2017	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
Salaries, wages and other benefits	7,377	86.6	10,987	87.5	12,365	88.0	3,473	89.1	3,720	89.5
Contributions to defined contribution retirement plans	1,137	13.4	1,570	12.5	1,692	12.0	423	10.9	436	10.5
Total	<u>8,514</u>	<u>100</u>	<u>12,557</u>	<u>100</u>	<u>14,057</u>	<u>100</u>	<u>3,896</u>	<u>100</u>	<u>4,156</u>	<u>100</u>

Our staff costs consisted of salaries, wages and other benefits and contributions to defined contribution retirement plans. The overall increase in staff costs from approximately RMB8.5 million for the year ended 31 December 2014 to RMB14.1 million for the year ended 31 December 2016 was primarily due to the steady year-on-year increase in the average salary per staff and average number of staff during the period. Our staff costs for the three months ended 31 March 2017 amounted to approximately RMB4.2 million.

Operating lease charges

Operating lease charges was primarily lease charges for property, plant and equipment and land use rights of approximately RMB2.1 million, RMB3.3 million, RMB4.5 million, RMB1.1 million and RMB0.9 million for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively.

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Other operating expenses

Our other operating expenses consisted primarily of (i) utilities expenses related to gas refuelling stations; (ii) expenses for entrusted gas refuelling stations; and (iii) Listing expenses (for the year ended 31 December 2016 and the three months ended 31 March 2017). The following table sets forth a breakdown of our other operating expenses for the respective periods:

	Year ended 31 December						For the three months ended 31 March			
	2014		2015		2016		2016		2017	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
Other operating expenses										
Utilities expenses	2,263	19.8	2,689	18.4	3,066	16.4	848	26.8	707	6.7
Entrustment fee in connection with gas refuelling stations	1,850	16.2	2,488	17.0	2,858	15.2	756	23.9	351	3.3
Repairment expenses	1,702	14.9	2,477	16.9	1,865	10.0	292	9.2	164	1.6
Quality control expenses	417	3.6	744	5.1	1,175	6.3	151	4.8	32	0.3
Entertainment expenses	238	2.1	553	3.8	695	3.7	215	6.8	278	2.6
Listing expenses	—	—	—	—	3,229	17.2	—	—	7,648	72.8
Office and promotion expenses	1,024	8.9	846	5.8	777	4.1	118	3.7	90	0.9
Other taxation	1,607	14.0	2,597	17.8	2,705	14.4	758	24.0	404	3.8
Others	2,344	20.5	2,222	15.2	2,374	12.7	25	0.8	839	8.0
Total	<u>11,445</u>	<u>100</u>	<u>14,616</u>	<u>100</u>	<u>18,744</u>	<u>100</u>	<u>3,163</u>	<u>100</u>	<u>10,513</u>	<u>100</u>

For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, our other operating expenses amounted to approximately RMB11.4 million, RMB14.6 million, RMB18.7 million, RMB3.2 million and RMB10.5 million, respectively. The increase in other operating expenses for the years ended 31 December 2014, 2015 and 2016 was mainly attributable to (i) the increase in utilities expenses; (ii) the increase in expenses for entrusted gas refuelling stations; and (iii) incurrence of Listing expenses for the year ended 31 December 2016.

The increase in other operating expenses for the three months ended 31 March 2017 as compared to that for the three months ended 31 March 2016 was mainly attributable to the incurrence of Listing expenses for the three months ended 31 March 2017.

Depreciation and amortisation expenses

Our depreciation and amortisation expenses are primarily related to the depreciation and amortisation of (i) properties; (ii) machinery and equipment; (iii) transportation facilities and others; and (iv) lease prepayment for land use rights. For the years ended 31 December 2014, 2015 and 2016

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and the three months ended 31 March 2016 and 2017, the depreciation and amortisation expenses amounted to approximately RMB7.5 million, RMB10.3 million, RMB10.1 million, RMB2.6 million and RMB2.7 million, respectively. The increase in depreciation and amortisation expenses for the year ended 31 December 2015 was mainly due to the increased depreciation and amortisation expenses on refuelling equipment and motor vehicles and other equipment as a result of the increase in property, plant and equipment contributed from the additional depreciation and amortisation expenses contributed by Changchun Sinogas and Jilin Clean Energy. The level of depreciation and amortisation expenses remained stable for the year ended 31 December 2016 as compared with that in 2015. Depreciation and amortisation expenses remained stable at approximately RMB2.6 million for the three months ended 31 March 2016 compared to RMB2.7 million for three months ended 31 March 2017.

Profit from operations and operating margin

Operating profit was derived after deducting operating expenses from revenue. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, our operating profit amounted to approximately RMB18.7 million, RMB36.3 million, RMB45.9 million, RMB7.6 million and RMB3.4 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017, our operating margin (being profit from operations divided by revenue) was 7.4%, 12.4%, 16.7%, 11.0% and 6.0%, respectively.

Finance costs

The following table sets forth a breakdown of our finance costs for the respective periods indicated:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans	<u>5,969</u>	<u>753</u>	<u>583</u>	<u>253</u>	<u>118</u>

Our finance costs primarily consisted of interest expenses on bank loans. Finance costs decreased during the Track Record Period as a result of the continuing decrease in the total amount of bank loans. Such decrease was in line with the decrease in the balance of our interest-bearing bank loans. No borrowing costs have been capitalised for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdiction in which companies comprising our Group domicile or operate.

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(i) *Cayman Islands profits tax*

Our Group has not been subject to any taxation in the Cayman Islands.

(ii) *PRC enterprise income tax*

Our PRC subsidiaries are subject to a tax rate of 25% during the Track Record Period on the assessable profits arising in or derived from the PRC.

One of our Group's subsidiaries established in the PRC, being Longjing United Strength, has obtained approval from the relevant tax bureau to be taxed as an enterprise with incentive for development of the western region for the calendar years from 2011 to 2020 and therefore engaged a preferential PRC Corporate Income Tax rate of 15% during the Track Record Period. The decrease in effective tax rate (being income tax expense divided by profit before taxation) to 20.6% for the year ended 31 December 2015 from 27.7% for the year ended 31 December 2014 is mainly due to Longjing United Strength, which enjoyed a preferential PRC Corporate Income Tax rate of 15%, recording loss before taxation in 2014 and profit before taxation in 2015. The effective tax rate increased to 23.5% for the year ended 31 December 2016 from 20.6% for the year ended 31 December 2015, which was mainly attributable to (i) the increase of non-deductible expenses; and (ii) our Company, which recorded a loss before taxation resulting from the Listing expenses for the year ended 31 December 2016, not being subject to any income tax pursuant to the rules and regulations of the Cayman Islands. The effective tax rate increased from 22.6% for the three months ended 31 March 2016 to 52.3% for the three months ended 31 March 2017. It was mainly attributable to our Company, which recorded a loss before taxation resulting from the Listing expenses for the three months ended 31 March 2017, not being subject to any income tax pursuant to the rules and regulations of the Cayman Islands.

As a result of the foregoing, our income tax expense for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017 amounted to approximately RMB3.5 million, RMB7.3 million, RMB10.7 million, RMB1.7 million and RMB1.7 million, respectively; the effective tax rates for the same period were 27.7%, 20.6%, 23.5%, 22.6% and 52.3%, respectively. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

RESULTS OF OPERATIONS

Three months ended 31 March 2016 compared to three months ended 31 March 2017

Revenue

Our revenue decreased by approximately 19.6% to RMB55.9 million for the three months ended 31 March 2017 from RMB69.5 million for the three months ended 31 March 2016. The decrease was primarily due to the a decrease in the sales volume of CNG as a result of (i) the decrease in the number of CNG stations from 22 as at 31 March 2016 to 20 as at 31 March 2017; and (ii) increased competition faced by certain refuelling stations located in Changchun City.

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Cost of sales

Our cost of sales decreased by approximately 31.5% to RMB35.9 million for the three months ended 31 March 2017 from RMB52.4 million for the three months ended 31 March 2016. The decrease in cost of sales was primarily due to (i) a decrease in the unit cost of procuring CNG from suppliers of our Group as a result of further increase in the supply of natural gas during the period; and (ii) a decrease in sales volume as a result of the decrease in the number of CNG stations from 22 as at 31 March 2016 to 20 as at 31 March 2017.

Gross profit

Our gross profit increased by approximately 17.0% to RMB20.0 million for the three months ended 31 March 2017 from RMB17.1 million for the three months ended 31 March 2016. The increase was primarily due to the decrease in the unit cost of procuring CNG from suppliers of our Group caused by the increase in supply of natural gas, coupled with relatively stable average selling price of CNG during the period.

Other income

Our other income increased by approximately 23.1% to RMB1.6 million for the three months ended 31 March 2017 from RMB1.3 million for the three months ended 31 March 2016. The increase was primarily due to an additional operating lease agreement commenced since April 2016.

Staff costs

Our staff costs increased by approximately 7.7% to RMB4.2 million for the three months ended 31 March 2017 from RMB3.9 million for the three months ended 31 March 2016. The increase was primarily due to the increase in the average salary payable for staff during the period.

Operating lease charges

Our operating lease charges decreased by approximately 18.2% to RMB0.9 million for the three months ended 31 March 2017 from RMB1.1 million for the three months ended 31 March 2016. The decrease was primarily due to the decrease in operating lease charges for equipment and motor vehicles.

Other operating expenses

Our other operating expenses increased by approximately 228.1% to RMB10.5 million for the three months ended 31 March 2017 from RMB3.2 million for the three months ended 31 March 2016. The increase was primarily due to the incurrence of Listing expenses for the three months ended 31 March 2017 in the amount of RMB7.6 million.

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Depreciation and amortisation expenses

Our depreciation and amortisation expenses remained stable at approximately RMB2.6 million for the three months ended 31 March 2016 compared to RMB2.7 million for the three months ended 31 March 2017.

Profit from operations and operating margin

As a result of the foregoing factors, our profit from operations decreased by approximately 55.3% to RMB3.4 million for the three months ended 31 March 2017 from RMB7.6 million for the three months ended 31 March 2016.

Our operating margin decreased to approximately 6.0% for the three months ended 31 March 2017 from 11.0% for the three months ended 31 March 2016.

Finance costs

Our finance costs decreased by approximately 53.4% to RMB118,000 for the three months ended 31 March 2017 from RMB253,000 for the three months ended 31 March 2016. The decrease was primarily due to the decrease in the amount of bank loans during the period.

Profit before taxation

As a result of the foregoing, our profit before tax decreased by approximately 56.8% to RMB3.2 million for the three months ended 31 March 2017 from RMB7.4 million for the three months ended 31 March 2016.

Year ended 31 December 2015 compared to the year ended 31 December 2016

Revenue

Our revenue decreased by approximately 6.0% to RMB274.6 million for the year ended 31 December 2016 from RMB292.1 million for the year ended 31 December 2015. The decrease was primarily due to decrease in revenue from CNG as a result of (i) the decrease in the CNG average selling price; and (ii) relatively slower growth in CNG sales volume from the year 2015 to the year 2016.

Cost of sales

Our cost of sales decreased by approximately 14.0% to RMB187.6 million for the year ended 31 December 2016 from RMB218.2 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in the purchase price of CNG during the period caused by the decrease in the price of international crude oil and the lowering of the Urban Gate Station Price, coupled with increase in supply of natural gas as a result of the completion of Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線).

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Gross profit

Our gross profit increased by approximately 17.7% to RMB87.0 million for the year ended 31 December 2016 from RMB73.9 million for the year ended 31 December 2015. The increase was primarily due to (i) the decrease in the unit cost of procuring CNG from suppliers of our Group, caused by decrease in the price of international crude oil, the decrease in the Urban Gate Station Price and the increase in supply of natural gas as a result of the completion of the Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線); and (ii) the less than proportional decrease in average selling price of CNG during the period, which was mainly attributable to further acceleration of the market-oriented reform of natural gas price whereby the selling price of natural gas for vehicles should be liberalised and determined by the selling enterprises under the premises of stable supply and full competition of the vehicle natural gas market.

Other income

Our other income increased by approximately 96.9% to RMB6.3 million for the year ended 31 December 2016 from RMB3.2 million for the year ended 31 December 2015. The increase was primarily due to the increase in rental income from leasing the gas cylinder road tanker to Jieli Logistics amounting to approximately RMB2.4 million.

Staff costs

Our staff costs increased by approximately 11.9% to RMB14.1 million for the year ended 31 December 2016 from RMB12.6 million for the year ended 31 December 2015. The increase was primarily due to the increase in the average salary payable for staff during the period.

Operating lease charges

Our operating lease charges increased by approximately 36.4% to RMB4.5 million for the year ended 31 December 2016 from RMB3.3 million for the year ended 31 December 2015. The increase was primarily due to the increase in operating lease charges for equipment and motor vehicles.

Other operating expenses

Our other operating expenses increased by approximately 28.1% to RMB18.7 million for the year ended 31 December 2016 from RMB14.6 million for the year ended 31 December 2015. The increase was primarily due to the increase in Listing expenses.

Depreciation and amortisation expenses

Depreciation and amortisation expenses for the year ended 31 December 2016 amounted to approximately RMB10.1 million. The level of depreciation and amortisation expenses remained stable for the year ended 31 December 2016 as compared to the amount of approximately RMB10.3 million for the year ended 31 December 2015.

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Profit from operations and operating margin

As a result of the foregoing factors, our profit from operations increased by approximately 26.4% to RMB45.9 million for the year ended 31 December 2016 from RMB36.3 million for the year ended 31 December 2015.

Our operating margin increased from approximately 12.4% for the year ended 31 December 2015 to 16.7% for the year ended 31 December 2016.

Finance costs

Our finance costs decreased by approximately 25.0% to RMB0.6 million for the year ended 31 December 2016 from RMB0.8 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in the amount of bank loans during the period.

Profit before taxation

As a result of the foregoing, our profit before tax increased by approximately 27.2% to RMB45.3 million for the year ended 31 December 2016 from RMB35.6 million for the year ended 31 December 2015.

Income tax

Our income tax expense increased by approximately 46.6% to RMB10.7 million for the year ended 31 December 2016 from RMB7.3 million for the year ended 31 December 2015. The increase was primarily due to higher amount of taxable income in the year ended 31 December 2016.

Profit for the year

As a result of the foregoing, our net profit after tax increased by approximately 22.3% to RMB34.6 million for the year ended 31 December 2016 from RMB28.3 million for the year ended 31 December 2015.

Year ended 31 December 2014 compared to the year ended 31 December 2015

Revenue

Our revenue increased by approximately 16.0% to RMB292.1 million for the year ended 31 December 2015 from RMB251.8 million for the year ended 31 December 2014. The increase was primarily due to the additional contribution of revenue by the acquisition of Changchun Sinogas and Jilin Clean Energy in late 2014.

Cost of sales

Our cost of sales increased by approximately 5.1% to RMB218.2 million for the year ended 31 December 2015 from RMB207.7 million for the year ended 31 December 2014. The increase was in line with the increase in our revenue, partially offset by the decrease in the unit cost of procuring CNG, LPG and LNG during the period.

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Gross profit

Our gross profit increased by approximately 67.6% to RMB73.9 million for the year ended 31 December 2015 from RMB44.1 million for the year ended 31 December 2014. The increase in gross profit of our Group for the year ended 31 December 2015 was primarily due to (i) the decrease in the unit cost of procuring CNG from suppliers of our Group, caused by decrease in the price of international crude oil and the decrease in the Urban Gate Station Price; and (ii) the less than proportional decrease in average selling price of CNG during the period, which was mainly attributable to further accelerating the market-oriented reform of natural gas price whereby the sale price of natural gas for vehicles should be liberalised and determined by the selling enterprises under the premises of stable supply and full competition of the vehicle natural gas market.

Other income

Our other income decreased by approximately 22.0% to RMB3.2 million for the year ended 31 December 2015 from RMB4.1 million for the year ended 31 December 2014. The decrease was primarily due to the decrease in government grants provided by Yanbian government authority for subsidising interests in bank loans as a result of decrease in the amount of such loan.

Staff costs

Our staff costs increased by approximately 48.2% to RMB12.6 million for the year ended 31 December 2015 from RMB8.5 million for the year ended 31 December 2014. The increase was primarily due to the increase in the staff number subsequent to the acquisition of Changchun Sinogas and Jinlin Clean Energy in late 2014.

Operating lease charges

Our operating lease charges increased by approximately 57.1% to RMB3.3 million for the year ended 31 December 2015 from RMB2.1 million for the year ended 31 December 2014. The increase was primarily due to an increase in the operating lease charges for property and land use rights.

Other operating expenses

Our other operating expenses increased by approximately 28.1% to RMB14.6 million for the year ended 31 December 2015 from RMB11.4 million for the year ended 31 December 2014. The increase was primarily due to combined effect of the increase in utilities expenses and increase in entrustment fees expenses.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 37.3% from RMB7.5 million for the year ended 31 December 2014 to RMB10.3 million for the year ended 31 December 2015, mainly caused by the increased depreciation and amortisation expenses on machinery and equipment and motor vehicle and other equipment and transportation facilities and others as a result of the acquisition of Changchun Sinogas and Jilin Clean Energy in late 2014.

FINANCIAL INFORMATION

Profit from operations and operating margin

As a result of the foregoing, our profit from operations increased by approximately 94.1% to RMB36.3 million for the year ended 31 December 2015 from RMB18.7 million for the year ended 31 December 2014.

Our operating margin increased from approximately 7.4% for the year ended 31 December 2014 to 12.4% for the year ended 31 December 2015.

Finance costs

Our finance costs decreased by approximately 86.7% to RMB0.8 million for the year ended 31 December 2015 from RMB6.0 million for the year ended 31 December 2014. The decrease was primarily due to the decrease in interests on bank loans from approximately RMB6.0 million for the year ended 31 December 2014 to RMB0.8 million for the year ended 31 December 2015 as a result of a decrease in the total amount of bank loans.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by approximately 180.3% to RMB35.6 million for the year ended 31 December 2015 from RMB12.7 million for the year ended 31 December 2014.

Income tax

Our income tax expense increased by approximately 108.6% to RMB7.3 million for the year ended 31 December 2015 from RMB3.5 million for the year ended 31 December 2014. The increase was primarily due to higher amounts of taxable income for the year ended 31 December 2015.

Profit for the year

As a result of the foregoing, our net profit after tax increased by approximately 207.6% to RMB28.3 million for the year ended 31 December 2015 from RMB9.2 million for the year ended 31 December 2014.

FINANCIAL INFORMATION

FINANCIAL POSITION

The following table summarises the consolidated statements of financial position as at the respective dates indicated as extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB '000	RMB '000	RMB '000	RMB '000
Non-current assets				
Property, plant and equipment	72,033	60,636	57,193	58,153
Lease prepayments	40,270	35,116	45,506	45,162
Deferred tax assets	5,512	4,758	5,336	5,404
	117,815	100,510	108,035	108,719
Current assets				
Available-for-sale investments	—	—	—	4,100
Inventories	1,948	1,335	1,648	1,392
Trade receivables	2,305	1,261	700	1,641
Prepayments, deposits and other receivables	15,962	13,072	20,182	20,795
Amounts due from related parties	—	17,838	49,098	—
Income tax recoverable	38	393	130	708
Cash at bank and on hand	26,805	22,471	25,616	18,297
	47,058	56,370	97,374	46,933

FINANCIAL INFORMATION

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB '000	RMB '000	RMB '000	RMB '000
Current liabilities				
Bank loans	48,800	20,000	15,000	—
Trade payables	2,153	2,775	1,990	2,227
Accrued expenses and other payables	15,632	15,726	31,111	26,677
Amounts due to related parties	9,184	3,719	8,319	31,641
Income tax payable	—	1,213	1,302	1,523
	<u>75,769</u>	<u>43,433</u>	<u>57,722</u>	<u>62,068</u>
Net current (liabilities)/assets	<u>(28,711)</u>	<u>12,937</u>	<u>39,652</u>	<u>(15,135)</u>
Total assets less current liabilities	89,104	113,447	147,687	93,584
Non-current liabilities				
Deferred tax liabilities	<u>5,708</u>	<u>5,371</u>	<u>5,034</u>	<u>4,950</u>
NET ASSETS	<u>83,396</u>	<u>108,076</u>	<u>142,653</u>	<u>88,634</u>
CAPITAL AND RESERVES				
Share capital	—	—	—	—
Reserves	<u>69,375</u>	<u>103,267</u>	<u>137,404</u>	<u>82,662</u>
Total equity attributable to equity shareholders of the Company	69,375	103,267	137,404	82,662
Non-controlling interests	<u>14,021</u>	<u>4,809</u>	<u>5,249</u>	<u>5,972</u>
TOTAL EQUITY	<u>83,396</u>	<u>108,076</u>	<u>142,653</u>	<u>88,634</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment during the Track Record Period primarily consisted of buildings, refuelling equipment, motor vehicle and other equipment and construction in progress. Buildings consisted of properties located in the PRC owned by our Group. Refuelling equipment mainly consisted of containers used for the storage of CNG and LNG, fuel dispensers and gas compressors.

The table below sets forth the balance of our property, plant and equipment as at the respective dates indicated:

	<u>Buildings</u>	<u>Refuelling equipment</u>	<u>Motor vehicles and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount:					
As at 31 March 2017	<u>18,835</u>	<u>27,356</u>	<u>11,288</u>	<u>674</u>	<u>58,153</u>
As at 31 December 2016	<u>19,149</u>	<u>26,803</u>	<u>10,567</u>	<u>674</u>	<u>57,193</u>
As at 31 December 2015	<u>19,115</u>	<u>30,405</u>	<u>10,442</u>	<u>674</u>	<u>60,636</u>
As at 31 December 2014	<u>16,351</u>	<u>37,990</u>	<u>11,770</u>	<u>5,922</u>	<u>72,033</u>

As at 31 December 2014, 2015 and 2016 and 31 March 2017, our balance of property, plant and equipment amounted to approximately RMB72.0 million, RMB60.6 million, RMB57.2 million and RMB58.2 million, respectively. Our balance of property, plant and equipment decreased from approximately RMB72.0 million as at 31 December 2014 to approximately RMB60.6 million as at 31 December 2015 primarily due to (i) the depreciation expenses recognised in the year ended 2015 of RMB9.3 million; and (ii) the replacement of some refuelling equipment, buildings and other equipment with an aggregate amount of RMB7.7 million. Our balance of property, plant and equipment remained stable at approximately RMB57.2 million as at 31 December 2016 compared to RMB58.2 million as at 31 March 2017.

FINANCIAL INFORMATION

Lease prepayments

Lease prepayments represent land use right premiums paid by our Group for land located in the PRC, with lease periods of 30 to 50 years.

The table below sets forth the balance of our lease prepayments as at the respective dates indicated:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January	43,801	43,801	38,634	50,145
Additions	—	5,067	11,511	—
Disposals	—	(10,234)	—	—
	43,801	38,634	50,145	50,145
Accumulated amortisation:				
At 1 January	2,516	3,531	3,518	4,639
Charge for the year/period	1,015	946	1,121	344
Written back on disposals	—	(959)	—	—
	3,531	3,518	4,639	4,983
Carrying amount:				
At 31 December/31 March	40,270	35,116	45,506	45,162

Our balance of lease prepayments decreased from approximately RMB40.3 million as at 31 December 2014 to approximately RMB35.1 million as at 31 December 2015 primarily due to disposal of a land use right by Hengtai Energy with net book value of RMB9.3 million according to the requirement by related local land and resources authorised institution due to change of land use planning. Our balance of lease prepayments increased from approximately RMB35.1 million as at 31 December 2015 to approximately RMB45.5 million as at 31 December 2016 primarily due to the acquisition of land use rights of approximately RMB8.9 million through the acquisition of all the equity interests of MHK Yujia Petrochemical and YB Xinyuan Natural Gas. Our balance of lease prepayments remained stable at approximately RMB45.2 million as at 31 March 2017 compared to approximately RMB45.5 million as at 31 December 2016.

FINANCIAL INFORMATION

Available-for-sale investments

The following table sets forth our balance on available-for-sale investments as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted debt securities with original maturity within three months	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,100</u>

Our available-for-sale investments, which consist of unlisted debt securities with original maturity within three months, represent wealth management products issued by one of the state-owned banks in the PRC with variable returns, in which we invested for the purpose of utilising our temporary idle internal funds to generate reasonable return in short term. The relevant wealth management product was a diversified portfolio-based product with high liquidity and could be redeemed within one working day upon application. According to the product description of the said wealth management product, the risk of incurring loss in the principal amount is relatively low. For details of our treasury policy and the management of wealth management products, please refer to the paragraph headed “Qualitative and quantitative disclosure about market risk — Credit risk” in this section.

Inventories

The following table sets forth a breakdown of our inventories balance as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gases	1,123	511	654	815
Spare parts	<u>825</u>	<u>824</u>	<u>994</u>	<u>577</u>
Total	<u>1,948</u>	<u>1,335</u>	<u>1,648</u>	<u>1,392</u>

Our inventories mainly consisted of natural gas and spare parts for refuelling station operation. Our balance of inventories was approximately RMB1.9 million, RMB1.3 million, RMB1.6 million and RMB1.4 million as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively. The level of inventory remained low and stable during the Track Record Period. The inventory turnover days (being average inventory divided by cost of sales for the period and multiplied by 365 (or the period generating the sales)) for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017 were 4.2 days, 2.7 days, 2.9 days and 3.8 days, respectively.

FINANCIAL INFORMATION

Trade receivables

The following table sets forth our trade receivables balance as at respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables due from:				
— third parties	2,252	1,261	700	1,580
— related parties	53	—	—	61
Total	2,305	1,261	700	1,641

Our trade receivables mainly consisted of the receivable from corporate customers in relation to the sale of natural gas products. Our balance of trade receivables, representing balance of trade receivables mostly from third parties and related parties as at the end of the reporting date during the Track Record Period, was approximately RMB2.3 million, RMB1.3 million, RMB0.7 million and RMB1.6 million as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively. Our Directors consider that the level of trade receivable balance as at 31 December 2014, 2015 and 2016 and 31 March 2017 remained at a low level as compared to the total revenue generated during the Track Record Period. As our Group generally receives prepayments from customers in relation to the sale of natural gas, our trade receivables were maintained at a relatively low level as compared to our total revenue during the Track Record Period.

The table below sets forth our trade receivables turnover days for the respective periods indicated:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	Trade receivables turnover days ⁽¹⁾	3.2	2.2	1.3

-
- (1) Average trade receivables turnover days are based on the average balance of trade receivables divided by revenue for the relevant period and multiplied by 365 days/90 days. Average balance of trade receivables is calculated as the average of the beginning balance and ending balance of a given period.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade receivables that are not individually nor collectively considered to be impaired as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,249 -----	911 -----	700 -----	1,641 -----
1 to 3 months past due	29	—	—	—
Over 6 months past due	1,027 -----	350 -----	— -----	— -----
	1,056 -----	350 -----	— -----	— -----
	<u>2,305</u>	<u>1,261</u>	<u>700</u>	<u>1,641</u>

Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Our Group does not hold any collateral or other credit enhancements over these balances.

As at 30 June 2017, approximately RMB2.3 million or 100%, RMB1.3 million or 100%, RMB0.7 million or 100% and RMB1.6 million or 100%, of our balance of net trade receivables as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively, were subsequently settled.

At each reporting date, our Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, 2015 and 2016 and 31 March 2017, no trade receivables were individually determined to be impaired.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

The following table sets forth our prepayments, deposits and other receivables as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for the purchase of inventories from:				
— related parties	8,439	6,526	5,994	4,730
— third parties	<u>3,077</u>	<u>1,648</u>	<u>5,989</u>	<u>7,532</u>
	11,516	8,174	11,983	12,262
Advances to staff	1,556	2,450	79	222
Prepayments for costs incurred in connection with the proposed Listing	—	—	4,086	4,783
Others	<u>2,890</u>	<u>2,448</u>	<u>4,034</u>	<u>3,528</u>
Total	<u><u>15,962</u></u>	<u><u>13,072</u></u>	<u><u>20,182</u></u>	<u><u>20,795</u></u>

Our prepayments primarily consisted of prepayments to suppliers for the purchase of CNG, LNG and LPG. The suppliers generally require us to make prepayments for our natural gas purchase. Our prepayments to related parties and third parties for procurement of natural gas decreased by 28.7% from approximately RMB11.5 million as at 31 December 2014 to RMB8.2 million as at 31 December 2015, primarily due to decrease in prepayment for procurement of natural gas from Changchun Longxing and Nong'an Mother Station in the aggregate amount of approximately RMB2.0 million. Our prepayment to related parties and third parties for procurement of inventories increased by 46.3% from approximately RMB8.2 million as at 31 December 2015 to RMB12.0 million as at 31 December 2016. Our prepayments to related parties and third parties for procurement of inventories remained stable at RMB12.0 million as at 31 December 2016 compared to RMB12.3 million as at 31 March 2017.

The amount of deposits and other receivables remained relatively stable as at 31 December 2015 as compared to that as at 31 December 2014. Our deposits and other receivables increased by 67.3% from approximately RMB4.9 million as at 31 December 2015 to RMB8.2 million as at 31 December 2016, primarily due to the prepayment of Listing expenses in the amount of approximately RMB4.1 million. Our deposits and other receivables remained stable at approximately RMB8.2 million as at 31 December 2016 compared to RMB8.5 million as at 31 March 2017.

All of the above prepayments, deposits and other receivables are expected to be recovered, recognised as expenses or transferred to equity within one year.

FINANCIAL INFORMATION

Trade payables

The table below sets forth the amount of our trade payables as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables due to :				
— related parties	1,421	59	289	579
— third parties	<u>732</u>	<u>2,716</u>	<u>1,701</u>	<u>1,648</u>
Total	<u><u>2,153</u></u>	<u><u>2,775</u></u>	<u><u>1,990</u></u>	<u><u>2,227</u></u>

Our trade payables was mainly related to the procurement of raw materials from suppliers. As our Group generally makes prepayments for the procurement of raw materials, our trade payables were maintained at a relatively low level during the Track Record Period as compared to our purchase price of such raw materials. Our balances of trade payables as at 31 December 2014, 2015 and 2016 and 31 March 2017 was approximately RMB2.2 million, RMB2.8 million, RMB2.0 million and RMB2.2 million, respectively.

As at 30 June 2017, approximately RMB2.2 million or 100%, RMB2.8 million or 100%, RMB2.0 million or 100% and RMB2.2 million or 100% of our balance of trade payables as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively were subsequently settled.

The following table sets forth the aging analysis of our trade payables, based on the invoice date, as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	<u>2,153</u>	<u>2,775</u>	<u>1,990</u>	<u>2,227</u>

The table below sets forth our trade payables turnover days for the respective periods indicated:

	Year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	Trade payables turnover days ⁽¹⁾	<u>4.0</u>	<u>4.1</u>	<u>4.6</u>

FINANCIAL INFORMATION

- (1) Average trade payables turnover days are based on the average balance of trade payables divided by cost of sales for the relevant period and multiplied by 365 days/90 days. Average balance of trade payables is calculated as the average of the beginning balance and ending balance of a given period.

Our trade payables turnover days were approximately 4.0 days, 4.1 days, 4.6 days and 5.3 days for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. During the Track Record Period, we did not default in any payment of our trade payables.

Accrued expenses and other payables

The table below sets forth a breakdown of our accrued expenses other payables as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for staff related costs	913	1,689	2,209	1,963
Deposits from customers	1,421	1,352	1,032	1,060
Distributions payable	—	1,000	—	—
Payables for acquisitions of property, plant and equipment and land use rights	4,777	4,777	17,946	9,777
Payments for costs incurred in connection with the proposed Listing	—	—	—	3,836
Others	3,516	2,935	5,390	4,826
Financial liabilities measured at amortised cost	10,627	11,753	26,577	21,462
Receipts in advance from:				
- related parties	3,930	—	—	—
- third parties	1,075	3,973	4,534	5,215
	5,005	3,973	4,534	5,215
Total	15,632	15,726	31,111	26,677

Note: All of the accrued expenses and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

FINANCIAL INFORMATION

Our accrued expenses and other payables mainly represented payables for acquisition of property, plant and equipment and land use rights and receipt in advances from customers. Our accrued expenses and other payables remained relatively stable at approximately RMB15.6 million and RMB15.7 million as at 31 December 2014 and 2015 respectively. The increase from RMB15.7 million as at 31 December 2015 as compared to RMB31.1 million as at 31 December 2016 was primarily due to payables for the acquisition of property, plant and equipment and land use rights through the acquisition of equity interests of MHK Yujia Petrochemical and YB Xinyuan Natural Gas. Our accrued expenses and other payables decreased from approximately RMB31.1 million as at 31 December 2016 to RMB26.7 million as at 31 March 2017 primarily due to the decrease in the payables for the acquisition of property, plant and equipment and land use rights as a result of the settlement of RMB8.2 million and partially offset by the increase of payments for costs incurred in connection with the proposed Listing.

Our receipts in advance consisted of payments made by customers towards their prepaid cards. Receipts in advance amounted to approximately RMB5.0 million, RMB4.0 million, RMB4.5 million and RMB5.2 million as at 31 December 2014, 2015 and 2016 and 31 March 2017, respectively.

Amounts due from/(to) related parties

The table below sets forth the amounts due to or from related parties at the respective dates indicated:

Amounts due from related parties:

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Changchun Yitonghe	—	17,838	47,098	—
Mr. Meng Xiang	—	—	2,000	—
Total	<u>—</u>	<u>17,838</u>	<u>49,098</u>	<u>—</u>

Amounts due to related parties:

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Changchun Yitonghe	(9,003)	(2,108)	(2,522)	(26,543)
HEB Shengshi Energy	(150)	(1,430)	(1,530)	(700)
Mr. Zhao	(31)	(181)	(4,267)	(4,398)
Total	<u>(9,184)</u>	<u>(3,719)</u>	<u>(8,319)</u>	<u>(31,641)</u>
Net amounts due (to) from related parties:	<u>(9,184)</u>	<u>14,119</u>	<u>40,779</u>	<u>(31,641)</u>

FINANCIAL INFORMATION

We recorded net amounts due to related parties of approximately RMB9.2 million as at 31 December 2014. We recorded net amounts due from related parties of approximately RMB14.1 million and RMB40.8 million as at 31 December 2015 and 2016, respectively. We recorded net amounts due to related parties of approximately RMB31.6 million as at 31 March 2017.

The amounts due to/from Changchun Yitonghe as at 31 December 2014, 2015 and 2016 was primarily the combination of (i) the net amounts of the operating results of the Yitonghe Entrusted Refuelling Stations and Group Entrusted Refuelling stations; and (ii) the net amounts of working capital paid/received on behalf of Changchun Yitonghe. The amounts due to Changchun Yitonghe as at 31 March 2017 was primarily the combination of the consideration for the disposal of 61.32% of the equity interest in Jilin Jiahong and the assets operated under Nong'an Mother Station, which are payable to Changchun Yitonghe as Jilin Jiahong and Nong'an Mother Station had not engaged in our Group's Gas Refuelling Business and they were excluded from our Group during the Track Record Period. The details of such disposals are set out in the section headed "History, reorganisation and development — Disposals during the Track Record Period and up to the Latest Practicable Date" in this prospectus.

The decrease in amounts due from related parties as at 31 March 2017 compared to that as at 31 December 2016 was primarily due to Changchun Yitonghe having repaid the amounts to our Group in March 2017.

The increase in the amounts due to related parties as at 31 March 2017 compared to that as at 31 December 2016 was primarily due to the consideration for the disposal of 61.32% of the equity interest in Jilin Jiahong and the assets operated under Nong'an Mother Station, which were payable to Changchun Yitonghe as mentioned above.

The amounts due to Mr. Zhao as at 31 December 2016 and 31 March 2017 was primarily the payments of costs incurred in connection with the proposed Listing, which was paid by Mr. Zhao on behalf of the Company.

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. All amounts due from or to related parties as at 31 March 2017 have been settled as at Latest Practicable Date.

Bank Loans

During the Track Record Period, our bank loans primarily consisted of short term bank loans denominated in Renminbi. During the Track Record Period and up to the Latest Practicable Date, our Group did not have any unutilised banking facilities.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our bank loans as at the respective dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Secured by property, plant and equipment and land use rights of our Group and equity interests of a related party, and guaranteed by a related party	30,000	—	—	—
Secured by property, plant and equipment of our Group, and guaranteed by a related party	—	20,000	—	—
Secured by bank deposits of our Group	18,800	—	—	—
Guaranteed by related parties	<u>—</u>	<u>—</u>	<u>15,000</u>	<u>—</u>
Total	<u><u>48,800</u></u>	<u><u>20,000</u></u>	<u><u>15,000</u></u>	<u><u>—</u></u>

As at 31 December 2014, RMB30 million of the short term bank loans was secured by property, plant and equipment and land use rights of our Group and equity interests of a related party, and guaranteed by a related party. Such amount of banks loans was repaid in 2015. RMB18.8 million of the short term bank loans as at 31 December 2014 was secured by bank deposits of our Group. The pledged deposits have been released in April 2015 upon the maturity and repayment of such bank loan.

As at 31 December 2015, RMB20 million of the short term bank loans was guaranteed by a related party and secured by property, plant and equipment of our Group. Such amount of bank loans was repaid in 2016.

As at 31 December 2016, RMB15 million of the short term bank loans was guaranteed by Mr. Zhao and Changchun Yitonghe. Such amount of banks loans has been repaid as at the Latest Practicable Date.

As at 31 March 2017, our Group did not have any bank loan.

FINANCIAL INFORMATION

Reorganisation impact on total equity

The decrease of RMB54.0 million in total equity as at 31 March 2017 compared to that as at 31 December 2016 was primarily due to our Group's payments for acquisitions of the entire equity interests of Changchun Sinogas at a consideration of RMB20 million, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe's then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB55.8 million in March 2017 and partially offset by proceeds received from the issuance of shares of RMB20.0 million in March 2017 pursuant to the Reorganisation completed in March 2017.

OPERATING LEASE COMMITMENTS AND CAPITAL COMMITMENTS

Operating lease commitments

Our Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of buildings, refuelling equipment and land use rights as at the respective dates indicated as follows:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,502	1,948	2,695	2,371
After 1 year but within 5 years	6,588	4,948	5,473	5,341
After 5 years	<u>14,772</u>	<u>12,737</u>	<u>12,056</u>	<u>11,757</u>
Total	<u><u>23,862</u></u>	<u><u>19,633</u></u>	<u><u>20,224</u></u>	<u><u>19,469</u></u>

Capital commitments

Our capital commitments outstanding at the dates indicated below not provided for were as follows:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Commitments in respect of property, plant and equipment and land use rights				
- Contracted for	2,983	—	—	—
- Authorised but not contracted for	<u>13,022</u>	<u>6,084</u>	<u>6,084</u>	<u>6,084</u>
Total	<u><u>16,005</u></u>	<u><u>6,084</u></u>	<u><u>6,084</u></u>	<u><u>6,084</u></u>

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LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our working capital requirements were principally satisfied by cash generated from our operations.

CASH FLOW

Our principal use of cash has been for funding our business operations. Our main source of liquidity has been cash generated from our operating activities and debt financing. We currently rely on cash generated from our operations to fund our expansion and other working capital requirements.

The following table summarises key information on our cash flows during the Track Record Period:

	Year ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	18,785	44,662	42,262	10,692	6,600
Net cash (used in)/generated from investing activities	(26,144)	26,403	(5,860)	(236)	(91,419)
Net cash (used in)/generated from financing activities	<u>(9,565)</u>	<u>(55,399)</u>	<u>(33,257)</u>	<u>(17,807)</u>	<u>77,500</u>
Net (decrease)/increase in cash and cash equivalents	(16,924)	15,666	3,145	(7,351)	(7,319)
Cash and cash equivalents at the beginning of year/period	<u>23,729</u>	<u>6,805</u>	<u>22,471</u>	<u>22,471</u>	<u>25,616</u>
Cash and cash equivalents at the end of year/period	<u><u>6,805</u></u>	<u><u>22,471</u></u>	<u><u>25,616</u></u>	<u><u>15,120</u></u>	<u><u>18,297</u></u>

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Cash flow from operating activities

Cash generated from operating activities consisted primarily of our Group's profit before taxation for the year/period, adjusted by income tax paid and non-cash items or non-operating items, such as depreciation of property, plant and equipment and amortisation of lease prepayments and adjusted by changes in working capital, such as trade receivables, prepayments, deposits and other receivables, and accrued expenses and other payables.

We recorded net cash generated from operating activities of approximately RMB6.6 million for the three months ended 31 March 2017, while our Group's profit before taxation for the same period of approximately RMB3.2 million. The difference of approximately RMB3.4 million was primarily the combined effect of (i) a decrease in inventories of approximately RMB0.3 million; (ii) an increase in trade receivables of approximately RMB0.9 million; (iii) an increase in prepayments, deposits and other receivables of approximately RMB0.6 million; (iv) an increase in trade payables of approximately RMB0.2 million; (v) an increase in accrued expenses and other payables of approximately RMB3.8 million; (vi) non-cash items, including depreciation and amortisation of approximately RMB2.7 million; (vii) non-operating items, including finance costs of approximately RMB0.1 million; and (viii) income tax paid of approximately RMB2.2 million.

We recorded net cash generated from operating activities of approximately RMB42.3 million for the year ended 31 December 2016, while our Group's profit before taxation for the same year of approximately RMB45.3 million. The difference of approximately RMB3.0 million was primarily the combined effect of (i) an increase in inventories of approximately of RMB0.3 million; (ii) a decrease in trade receivables of approximately RMB0.6 million; (iii) an increase in prepayments, deposits and other receivables of approximately RMB5.2 million; (iv) a decrease in trade payables of approximately RMB0.8 million; (v) an increase in accrued expenses and other payables of approximately RMB3.2 million; (vi) non-cash items, including depreciation and amortisation of approximately RMB10.1 million; (vii) non-operating items, including finance costs of approximately RMB0.6 million; and (viii) income tax paid of approximately RMB11.2 million.

We recorded net cash generated from operating activities of approximately RMB44.7 million for the year ended 31 December 2015, while our Group's profit before taxation for the same year of approximately RMB35.6 million. The difference of approximately RMB9.1 million was primarily the combined effect of (i) a decrease in inventories of approximately of RMB0.6 million; (ii) a decrease in trade receivables of approximately RMB1.0 million; (iii) a decrease in prepayments, deposits and other receivables of approximately RMB2.9 million; (iv) an increase in trade payables of approximately RMB0.6 million; (v) a decrease in accrued expenses and other payables of approximately RMB0.9 million; (vi) non-cash items, including depreciation and amortisation of approximately RMB10.3 million; (vii) non-operating items, including finance costs of RMB0.8 million; and (viii) income tax paid of approximately RMB6.1 million.

We recorded net cash generated from operating activities of approximately RMB18.8 million for the year ended 31 December 2014, while our Group's profit before taxation for the same year of approximately RMB12.7 million. The difference of approximately RMB6.1 million was primarily the combined effect of (i) a decrease in inventories of approximately RMB1.5 million; (ii) a decrease in trade receivables of approximately of RMB1.3 million; (iii) an increase in prepayments, deposits and

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other receivables of approximately RMB1.6 million; (iv) a decrease in trade payables of approximately RMB0.5 million; (v) a decrease in accrued expenses and other payables of approximately RMB4.3 million; (vi) non-cash items, including depreciation and amortisation of approximately RMB7.5 million; (vii) non-operating items, including finance costs of approximately RMB6.0 million; and (viii) income tax paid of approximately RMB3.8 million.

Cash flow from investing activities

For the three months ended 31 March 2017, our Group had net cash outflow amounting to approximately RMB91.4 million from investing activities. The major cash outflow was for (i) the purchase of property, plant and equipment and land use rights amounting to approximately RMB11.5 million; (ii) payments for purchase of available for sale investments amounting to approximately RMB4.1 million; and (iii) payments for acquisition of the entire equity interests of Changchun Sinogas at a consideration of RMB20 million, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe's then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB55.8 million in March 2017.

For the year ended 31 December 2016, our Group had net cash outflow amounting to approximately RMB5.9 million from investing activities. The major cash outflow was for the purchase of property, plant and equipment and land use rights amounting to approximately RMB7.0 million. The major cash inflow was for the proceeds generated from the disposal of property, plant and equipment and land use rights amounting to approximately RMB1.1 million.

For the year ended 31 December 2015, our Group had net cash inflow amounting to approximately RMB26.4 million from investing activities. The major cash inflow was for the withdrawal of pledged bank deposits amounting to approximately RMB20.0 million and the proceeds from the disposal of property, plant and equipment and land use rights amounting to approximately RMB16.4 million. The major cash outflow was for the purchase of property, plant and equipment and land use rights amounting to approximately RMB10.7 million.

For the year ended 31 December 2014, our Group had net cash outflow amounting to approximately RMB26.1 million from investing activities. The major cash inflow was for the proceeds for the acquisitions of businesses, net of cash acquired, amounting to approximately RMB8.3 million. The major cash outflow was for the purchase of property, plant and equipment and land use rights amounting to approximately RMB15.1 million and the increase of pledged bank deposits amounting to approximately RMB20.0 million.

Cash flow from financing activities

For the three months ended 31 March 2017, our Group had net cash inflow amounting to approximately RMB77.5 million to financing activities. The major cash outflow was for (i) the repayment of bank loans amounting to approximately RMB15.0 million; and (ii) interest paid of approximately RMB0.1 million. The major cash inflow was for (i) the investment from shareholders

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of approximately RMB20.0 million in relation to the sums received from our shareholder for purpose of the Reorganisation; and (ii) the net decrease in amounts due from related parties of approximately RMB72.6 million in relation to the repayment from related parties for advances granted to related parties in previous periods and the advances received from related parties.

For the year ended 31 December 2016, our Group had net cash outflow of approximately RMB33.3 million to financing activities. The major cash outflow for the year was due to (i) the repayment of bank loans amounting to approximately RMB20.0 million; (ii) the increase in the amounts due from related parties of approximately RMB26.7 million; and (iii) the dividends paid to a related party amounting to approximately RMB1.0 million. The major cash inflow was for the proceeds from new bank loans amounting to approximately RMB15.0 million.

For the year ended 31 December 2015, our Group had net cash outflow of approximately RMB55.4 million to financing activities. The major cash outflow for the year was (i) the repayment of bank loans amounting to approximately RMB48.8 million; (ii) the increase in the amounts due from related parties of approximately RMB23.3 million; and (iii) the dividends paid to a related party amounting to approximately RMB2.6 million. The major cash inflow for the year was the proceeds from new bank loans amounting to approximately RMB20.0 million.

For the year ended 31 December 2014, our Group had net cash outflow of approximately RMB9.6 million to financing activities. The major cash outflow for the year was (i) the repayment of bank loans amounting to approximately RMB123.0 million; (ii) the dividends paid to a related party amounting to approximately RMB6.0 million; and (iii) the interests paid amounting to approximately RMB6.0 million. Our major cash inflow for the year was the proceeds from new bank loans amounting to approximately RMB91.8 million and the decrease in the amounts due from related parties of approximately RMB33.6 million.

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WORKING CAPITAL

The table below sets forth our current assets, current liabilities and net current assets/(liabilities) as at the respective dates indicated:

	At 31 December			At 31 March	At 31 August
	2014	2015	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Available-for-sale investments	—	—	—	4,100	—
Inventories	1,948	1,335	1,648	1,392	1,309
Trade receivables	2,305	1,261	700	1,641	1,518
Prepayments, deposits and other receivables	15,962	13,072	20,182	20,795	15,680
Amounts due from related parties	—	17,838	49,098	—	7,596
Income tax recoverable	38	393	130	708	751
Cash at bank and on hand	26,805	22,471	25,616	18,297	19,536
	47,058	56,370	97,374	46,933	46,390
Current liabilities					
Bank loans	48,800	20,000	15,000	—	15,000
Trade payables	2,153	2,775	1,990	2,227	2,463
Accrued expenses and other payables	15,632	15,726	31,111	26,677	30,332
Amounts due to related parties	9,184	3,719	8,319	31,641	—
Income tax payable	—	1,213	1,302	1,523	1,362
	75,769	43,433	57,722	62,068	49,157
Net current (liabilities)/assets	(28,711)	12,937	39,652	(15,135)	(2,767)

We recorded net current liabilities of approximately RMB28.7 million as at 31 December 2014. Our net current liabilities position as at 31 December 2014 was mainly resulting from the bank loan of approximately RMB48.8 million. We recorded net current assets of approximately RMB12.9 million as at 31 December 2015 because of (i) our strong operating cash inflow from operation; and (ii) the decrease in the amount of bank loan to approximately RMB20.0 million. Our net current assets position further increased to approximately RMB39.7 million as at 31 December 2016 because of (i) the decrease in the amount of bank loans to approximately RMB15.0 million; and (ii) the amount due from related parties of approximately RMB49.1 million resulting from the charges in relation to the refuelling stations under the entrusted operation arrangement. We recorded net current liabilities of approximately RMB15.1 million as at 31 March 2017 compared to net current assets of RMB39.7

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million as at 31 December 2016 mainly resulting from our Group's payments for acquisition of the entire equity interests of Changchun Sinogas at a consideration of RMB20 million, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe's then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB55.8 million in March 2017 and partially offset by proceeds received from the issuance of shares for an aggregate subscription price of RMB20.0 million on 16 March 2017 pursuant to the Reorganisation completed in March 2017. As at 31 August 2017, amounts due from Changchun Yitonghe amounted to approximately RMB7.6 million, which was primarily the combination of (i) the net amounts of the operating results of the Yitonghe Entrusted Refuelling Stations and Group Entrusted Refuelling Stations; and (ii) the net amounts of working capital paid/received on behalf of Changchun Yitonghe. Our net current liabilities decreased from approximately RMB15.1 million as at 31 March 2017 to approximately RMB2.8 million as at 31 August 2017 primarily due to the continuous net profit generated from the operation.

WORKING CAPITAL CONFIRMATION

Our Group recorded net current liabilities of approximately RMB28.7 million, RMB15.1 million and RMB2.8 million as at 31 December 2014, 31 March 2017 and 31 August 2017, respectively. However, during the Track Record Period, our Group has continuously generated a positive cash flow from operating activities of approximately RMB18.8 million, RMB44.7 million, RMB42.3 million and RMB6.6 million for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Our Group maintained a sizeable balance of cash at bank and on hand of approximately RMB26.8 million, RMB18.3 million and RMB19.5 million as at 31 December 2014, 31 March 2017 and 31 August 2017, respectively to cope with our working capital requirements. As at the Latest Practicable Date, our Group also obtained a bank loan in the amount of RMB15.0 million.

Taking into account our cash and cash equivalents, our cash generated/to be generated from operating activities, our currently available financial resources including cash and cash equivalents, internally generated funds and the net proceeds from the Global Offering, our Directors have confirmed and the Sole Sponsor concurs that we have sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus.

We currently do not expect any significant changes in the mix and the relative costs of our capital resources. As at the date of this prospectus, save for the proposed Global Offering, we do not have any definite external financing plan.

INDEBTEDNESS

	<u>As at 31 August 2017</u>
	<u>RMB'000</u>
Bank Loan — secured and guaranteed	<u>15,000</u>

As at 31 December 2014, 2015 and 2016, the amount of bank loan amounted to RMB48.8 million, RMB20.0 million and RMB15.0 million, respectively. Our Group obtained a secured and guaranteed bank loan (current nature) in the amount of RMB15.0 million in July 2017, which had been fully utilised as at 31 August 2017. Save as disclosed, as at the Latest Practicable Date, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

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Our Directors have confirmed that (i) we have not defaulted or delayed in any payment or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there are no material covenants relating to our outstanding debts (if any); and (iii) up to the Latest Practicable Date, there has been no material change in indebtedness and contingent liabilities of our Group since 31 August 2017.

KEY FINANCIAL RATIOS

The following table summarises our key financial ratios as at the respective dates for the purpose indicated:

	Years ended/As at 31 December			Three months ended/ As at 31 March
	2014	2015	2016	2017
Gross profit margin ⁽¹⁾	17.5%	25.3%	31.7%	35.8%
Net profit margin ⁽²⁾	3.6%	9.7%	12.6%	2.8%
Return on equity ⁽³⁾	11.0%	26.1%	24.3%	7.0% ⁽⁷⁾
Return on total assets ⁽⁴⁾	5.6%	18.0%	16.9%	4.0% ⁽⁷⁾
Current ratio ⁽⁵⁾	0.6	1.3	1.7	0.8
Debt to equity ratio ⁽⁶⁾	1.0	0.5	0.4	0.8

Notes:

- (1) Gross profit margin is calculated based on gross profit of the period divided by revenue of the respective period and multiplied by 100%.
- (2) Net profit margin is calculated based on profit of the period divided by revenue of the respective period and multiplied by 100%.
- (3) Return on equity is calculated based on the net profit of the period divided by the total equity at the end of the respective period and multiplied by 100%.
- (4) Return on total assets is calculated based on the net profit of the period divided by the total assets at the end of the respective period and multiplied by 100%.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective date.
- (6) Debt to equity ratio is calculated based on total liabilities divided by the total equity as at the respective date.
- (7) This is an annualised number based on the profit for the three months ended 31 March 2017, and hence may not be comparable to the return on equity/total assets ratio based on the full year profit for the years ended 31 December 2014, 2015 and 2016.

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DISCUSSION OF KEY FINANCIAL RATIOS

Gross profit margin and net profit margin

Our gross profit margin was approximately 17.5%, 25.3%, 31.7% and 35.8% for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. The increase in gross profit from 17.5% for the year ended 31 December 2014 to 25.3% for the year ended 31 December 2015 and 31.7% for the year ended 31 December 2016 was primarily due to (i) the decrease in the unit cost procuring CNG from suppliers of our Group, caused by the lowering of the Urban Gate Station Price, coupled with the increase in supply of gas in Northeast China as a result of the completion of the Harbin-Shenyang Gas Trunkline (哈瀋天然氣幹線) and the decrease in the price of international crude oil; and (ii) the less than proportional decrease in average selling price of CNG during the period, which was mainly attributable to further accelerating of the market-oriented reform of natural gas price whereby the selling price of natural gas for vehicles should be liberalised and determined by the selling enterprises under the premises of stable supply and full competition of the vehicle natural gas market. Our gross profit margin increased to approximately 35.8% for the three months ended 31 March 2017 from 31.7% for the year ended 31 December 2016 primarily due to the decrease in the unit cost of procuring CNG from suppliers of our Group caused by the increase in supply of natural gas, coupled with relatively stable average selling price of CNG during the period.

Our net profit margin was approximately 3.6%, 9.7%, 12.6% and 2.8% for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. The increase in our net profit margin for the years ended 31 December 2014, 2015 and 2016 was primarily due to the growth in the gross profit margin, offset by the growth in administrative expenses (including staff costs, rental expenses and Listing expenses). The decrease in our net profit margin for the three months ended 31 March 2017 was primarily due to the incurrence of Listing expenses.

Return on equity

Our return on equity was approximately 11.0%, 26.1% and 24.3% for the years ended 31 December 2014, 2015 and 2016, respectively. The increase in return on equity for the year ended 31 December 2015 was mainly due to the increase in profit for the year resulting from the additional contribution of net profit by the acquisition of Changchun Sinogas and Jilin Clean Energy in late 2014. The slight decrease of the return on equity for the year ended 31 December 2016 was mainly due to the increase in equity as a result of the net profit in 2016.

Return on total assets

Our return on total assets was approximately 5.6%, 18.0% and 16.9% for the years ended 31 December 2014, 2015 and 2016, respectively. The increase in return on total assets for the year ended 31 December 2015 was mainly due to the additional contribution of revenue by the acquisition of Changchun Sinogas and Jilin Clean Energy in late 2014. The slight decrease of the return on total

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assets for the year ended 31 December 2016 was mainly due to (i) the acquisition of land use rights of approximately RMB8.9 million through the acquisition of all the equity interests of MHK Yujia Petrochemical and YB Xinyuan Natural Gas; and (ii) the prepayment of Listing expenses in the amount of approximately RMB4.1 million.

Current ratio

Our current ratio was approximately 0.6, 1.3, 1.7 and 0.8 as at 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively. Our Group's growth in current ratio as at 31 December 2015 compared to that as at 31 December 2014 was primarily due to the decrease in bank loans. The growth as at 31 December 2016 compared to that as at 31 December 2015 was primarily due to the increase in cash at bank and on hand, increase in the receivables from the related parties and the continuous decrease in bank loans. The decrease in our current ratio, as at 31 March 2017 compared to that as at 31 December 2016 was primarily due to the decrease in amounts due from related parties.

Debt to equity ratio

Our debt to equity ratio was approximately 1.0, 0.5, 0.4 and 0.8 for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, respectively.

The decrease in debt to equity ratio as at 31 December 2015 compared to that as at 31 December 2014 was primarily due to the decrease of total liabilities as a result of our Group's continuous deleverage through decreasing our bank loans and the increase of equity as a result of net profit of 2015 during the year.

The increase in our debt to equity ratio for the as at 31 March 2017 compared to that as at 31 December 2016 was primarily due to the decrease in our equity base of RMB54.0 million as a result of the completion of the Reorganisation, coupled with an increase in our total liabilities as a result of the increase in the amounts due to related parties.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we entered into a number of transactions with our related parties and a significant portion of our related parties transactions were generated from our purchase of goods and transportation and other services from the relevant parties. Please refer to Note 26 to the Accountants' Report in Appendix I to this prospectus for further details.

Our Directors confirm that all related party transactions during the Track Record Period were negotiated on an arm's length basis, reflected normal commercial terms and would not distort our track record results or make our historical results not reflective of our future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Credit risk

Our Group's credit risk is primarily attributable to trade and other receivables and available-for-sale debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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In respect of available-for-sale debt investments, we have implemented internal control measures to monitor and control our investment risks and adopted the treasury policy which set out the framework for managing our financial assets. Our finance department is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the general manager, chief financial controller and our Board, and monitoring the investments on a continuous basis.

We primarily invest in low risk investment products with relatively stable returns when our cash balance is sufficient for our Group's capital expenditure and working capital for operations. Investment decisions are recommended by our finance department, which are passed to the general manager for approval. Where an investment amount amounts to RMB5.0 million or more, our Board's approval is sought after the general manager and chief financial controller express their endorsement of the proposed investment. We make investment decisions after taking into account factors including investment amount, investment period, credibility of bank and level of risk and corresponding return of the investment product. The finance department also reviews and prepares a list of investment products at the beginning of each year for the approval of the general manager and chief financial controller to enable the finance department to make investment decisions more efficiently. Further, during the term of the investment products, the finance department is responsible for monitoring and recording the returns generated from the investment products on daily basis and preparing a monthly report for the chief financial controller to review. We will keep in close contact with the bank issued the investment products, monitor the performance of the investment products, strengthen risk control and supervision, and strictly control the safety of funds.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates. Our Group's customers are mainly CNG vehicle users which include individual customers and corporate customers. Cash before delivery is generally required for all individual customers.

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each corporate customer or debtor rather than the industry in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers or debtors. As at 31 December 2014, 2015 and 2016 and 31 March 2017, approximately 44.5%, 36.6%, 100% and 45.8% of the trade receivables, respectively, were due from our Group's largest debtor; and approximately 98.2%, 100.0%, 100.0% and 96.0% of the trade receivables, respectively, were due from our Group's five largest debtors.

Our Group does not provide any other guarantees which would expose our Group to credit risk.

Further quantitative disclosures in respect of our Group's exposure to credit risk arising from available-for-sale debt investments and trade and other receivables are set out in Notes 14, 16, 17 and 26(c) in the Accountants' Report as set out in Appendix I to this prospectus.

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Liquidity risk

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

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

	At 31 December 2014		At 31 December 2015		At 31 December 2016		At 31 March 2017	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	50,384	48,800	20,746	20,000	15,707	15,000	—	—
Trade payables	2,153	2,153	2,775	2,775	1,990	1,990	2,227	2,227
Accrued expenses and other payables measured at amortised cost	10,627	10,627	11,753	11,753	26,577	26,577	21,462	21,462
Amounts due to related parties	9,184	9,184	3,719	3,719	8,319	8,319	31,641	31,641
	<u>72,348</u>	<u>70,764</u>	<u>38,993</u>	<u>38,247</u>	<u>52,593</u>	<u>51,886</u>	<u>55,330</u>	<u>55,330</u>

Interest rate risk

Our Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose our Group to cash flow interest rate risk and fair value interest risk, respectively. Our Group currently does not have an interest rate hedging policy.

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Interest rate profile

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

	31 December 2014		31 December 2015		31 December 2016		31 March 2017	
	Effective interest rate % RMB'000		Effective interest rate % RMB'000		Effective interest rate % RMB'000		Effective interest rate % RMB'000	
Fixed rate borrowings	6.00%	<u>48,800</u>	5.00%	<u>20,000</u>	4.87%	<u>15,000</u>	—	<u>—</u>

Fair value measurement

Fair value of financial instruments carried at other than fair value.

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 31 March 2017.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 19 December 2016, therefore there was no distributable reserves as at 31 March 2017.

DIVIDEND

During the Track Record Period, we declared dividends of nil for the year ended 31 December 2014, RMB3.6 million for the year ended 31 December 2015, nil for the year ended 31 December 2016 and nil for the three months ended 31 March 2017. The aforementioned dividends declared were settled in 2016.

After the Listing, subject to our constitutional documents and the Companies Law, our Shareholders may declare, at a general meeting, dividends not exceeding the amount recommended by our Directors. The amount of dividends recommended by our Directors is under the absolute discretion of our Directors, including the discretion to not to recommend any dividends.

Our Directors shall decide and recommend the amount of dividends (or decide not to recommend any dividend) based on our earnings, cash flows, financial condition, capital requirements, future plans of our Group and any other conditions that our Directors deem relevant at such time.

The foregoing, including our dividend distribution record, should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. There is no guarantee or representation or indication that our Directors must or will recommend and that our Group must or will pay dividends or declare and pay dividends at all.

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NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing.

Listing expenses in relation to the Listing to be borne by our Company is estimated to be approximately HK\$39.1 million, of which approximately HK\$12.6 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity, and approximately HK\$26.5 million had been or is expected to be reflected in our consolidated statements of profit or loss. Approximately HK\$11.9 million of the Listing expenses in relation to services already performed for the Listing had been reflected in the consolidated statements of profit or loss of our Group for the Track Record Period, approximately HK\$14.6 million is expected to be reflected in the consolidated statements of profit or loss of our Group after the Track Record Period. The estimated Listing expenses are the latest best estimate and are for reference only. Listing expenses are non-recurring in nature but based on the aforesaid, we expect that it will materially affect our Group's financial performance and results of operations for the year ending 31 December 2017.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to equity shareholders of our Company as at 31 March 2017 as if the Global Offering had taken place on 31 March 2017.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 March 2017 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of our Company as at 31 March 2017 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on an Offer Price of HK\$2.18 per Share	82,662	84,697	167,359	0.71	0.85
Based on an Offer Price of HK\$2.78 per Share	82,662	113,304	195,966	0.84	1.00

FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of our Company as at 31 March 2017 is compiled based on the consolidated statements of financial position included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated total equity attributable to equity shareholders of our Company as at 31 March 2017 of RMB82,662,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$2.18 and HK\$2.78 per Share, after deduction of the estimated underwriting fees and other related expenses payable by our Group subsequent to 31 March 2017 and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK\$1.0000 to RMB0.8384 prevailing on 19 September 2017.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 234,502,000 Shares, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB0.8384 to HK\$1.0000 prevailing on 19 September 2017.
- (5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2017.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Based on our Group's unaudited financial information for the three months ended 30 June 2017, our operation and financial results remained relatively stable since 31 March 2017 and up to the Latest Practicable Date, save and except for the temporary decrease in revenue for the two months ended 31 May 2017, which was primarily due to the decrease in sales volume of CNG during the same period as a result of the increased price competition faced by certain gas refuelling stations in Changchun City during the period. As our Directors anticipated that the price competition faced would be temporary, our Directors chose not to cut price, which resulted in the decrease in sales volume and sales revenue at the relevant stations. Revenue for the month ended 30 June 2017 recorded a gradual increase as the sales volume of CNG rebounded from the temporary decrease and gradually increased as the price competition softened. With effective pricing strategy applied by our Group, despite the decrease in revenue for the two months ended 31 May 2017, our gross profit margin continued its increasing trend over the first half of 2017 primarily due to the decrease in unit cost of procuring CNG from suppliers of our Group coupled with the relatively stable average selling price of CNG, LPG and LNG in spite of the general and moderate decreasing trend of the average selling prices of CNG, LPG and LNG during the Track Record Period. Our Directors are not aware of reversal of the overall decreasing trend of retail selling prices for CNG, LPG and LNG during the Track Record Period. Our Directors are of the view that if the overall decrease in the average selling price continues as recorded during the Track Record Period and if the upcoming sales volume experiences decrease at a similar level as recorded during the six months ended 30 June 2017, our revenue for the year ending 31 December 2017 may record a year-on-year decrease.

FINANCIAL INFORMATION

As far as our Directors are aware, saved as disclosed above and for the expenses in connection to the Listing and the continued decreasing trend of overall retail selling prices for CNG, LPG and LNG, there was no material adverse change in the market condition or regulatory conditions in our industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of our Group since 31 March 2017 and up to the date of this prospectus. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 March 2017 being the date to which our latest audited financial information was prepared up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business — Our business strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

The net proceeds of the Global Offering will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in this section.

The aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$2.48 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.18 to HK\$2.78 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$106.2 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

1. approximately 90%, or HK\$95.6 million (equivalent to approximately RMB80.2 million), of the net proceeds from the Global Offering will be used to finance the expansion of our CNG refuelling station network. We plan to use the funds for the acquisition of six CNG refuelling stations (via acquisition of companies with such business). In terms of timing of the investment, we plan to invest HK\$63.7 million in 2018 and HK\$31.9 million in 2019;
2. approximately 5%, or HK\$5.3 million (equivalent to approximately RMB4.4 million), of the net proceeds from the Global Offering will be used to strengthen our marketing and promotion strategies; and
3. approximately 5%, or HK\$5.3 million (equivalent to approximately RMB4.4 million), of the net proceeds from the Global Offering will be used for our general working capital.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$2.78 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$17.1 million. We intend to apply the additional net proceeds on funding the acquisition of six CNG refuelling stations (via acquisition of companies with such business). If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$2.18 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$17.1 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds are not sufficient to fund the purposes described above, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$23.7 million, assuming the Offer

FUTURE PLANS AND USE OF PROCEEDS

Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$2.78 per Share; (ii) HK\$21.2 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$2.48 per Share; and (iii) HK\$18.6 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$2.18 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks as permitted by the relevant laws and regulations. Our PRC Legal Adviser is of the view that there is no restriction under the PRC Laws which will prohibit the Company from transferring the net proceeds to be received by the Company from the Global Offering to the foreign invested PRC Subsidiaries by the way of capital increase or shareholders' loan subject to the approvals, registrations or filings that may be required by the PRC governmental authorities. We will comply with the PRC laws in respect of foreign exchange registration and proceeds remittance.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

GF Securities (Hong Kong) Brokerage Limited
China Industrial Securities International Capital Limited
China Securities (International) Corporate Finance Company Limited
Innovax Securities Limited
SPDB International Capital Limited
Yue Xiu Securities Company Limited
China Investment Securities International Brokerage Limited
Founder Securities (Hong Kong) Limited
CNI Securities Group Limited
Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator

UNDERWRITING

(on behalf of the Public Offer Underwriters) has the right to terminate the Public Offer Underwriting Agreement by giving notice in writing to our Company, if prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) any material breach of any of the representations, warranties and undertakings as set forth in the Public Offer Underwriting Agreement by our Company or any of our Controlling Shareholders; or
 - (ii) any statement contained in this prospectus, the Application Forms, announcement or the formal notice to be published by or on behalf of our Company in connection with the Public Offer, was or has become or been discovered to be untrue, incorrect or misleading in any material respect in the context of the Global Offering, or that any forecast, expression of opinion, intention or expectation expressed in any of this prospectus and the Application Forms (the “**Public Offer Documents**”) is not, in the context of the Global Offering, fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or
 - (iii) any person named in the paragraph headed “Qualification of experts” in Appendix IV to this prospectus (other than the Sole Sponsor and any of the Public Offer Underwriters) has withdrawn its consent to being named in this prospectus or to the issue of this prospectus; or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company under the indemnity provisions of the Public Offer Underwriting Agreement; or
 - (v) any material adverse change or development involving a prospective material adverse change in the business, assets, liabilities, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Group which is considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) as to make it impracticable or inadvisable to proceed with the Global Offering; or
 - (vi) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus; or
 - (vii) a petition or an order is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any such member of our Group or a provisional liquidator, receiver or manager is appointed to take over

UNDERWRITING

all or a substantial part of the assets or undertaking of our Company or any such member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group which is considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) as to make it impracticable or inadvisable to proceed with the Global Offering; or

(viii) a material portion of the orders in the book building process at the time the International Underwriting Agreement is entered into have been withdrawn, terminated or cancelled as to make it impracticable or inadvisable to proceed with the Global Offering; or

(b) there shall develop, occur, exist or come into effect:

- (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, regional, national, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material devaluation of the Hong Kong dollar or the RMB against any foreign currency) in or affecting any of Hong Kong, the PRC, the U.S. or the European Union (the “**Relevant Jurisdictions**”); or
- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (iii) any event, or series of events, beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza (H5N1 and H7N9), Swine Flu (H1N1) or such related or mutated forms)) in or affecting any of the Relevant Jurisdictions; or
- (iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, declared or imposed by the relevant competent banking or monetary authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (vi) the commencement by any governmental or regulatory body or organisation in Hong Kong or the PRC of any action against our executive Director in his or her capacity as such or an announcement by such body or organisation that it intends to take any such action; or
- (vii) material non-compliance by our Company with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or
- (viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (ix) save as disclosed in this prospectus, any material litigation or claim being threatened or instigated against any member of our Group; or
- (x) any material contravention by any member of our Group or any Director of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the SFO or any of the Listing Rules in the context of the Global Offering or proposed Listing;

which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and after consultation with our Company:

- (a) is or shall have or could be expected to have a material adverse effect on the business, financial or other operational condition or prospects of our Group as a whole; or
- (b) has or shall have a material adverse effect on the success, marketability of the Global Offering or the level of applications under the Public Offer or the level of interest under the International Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme and for other circumstances expressly allowed under Rule 10.08 of the Listing Rules, no further Shares or securities convertible

UNDERWRITING

into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date).

By Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Stock Borrowing Agreement or save for the creation of a pledge or charge as permitted under Note (2) to Rule 10.07(2) of the Listing Rules (the “**Permissible Pledge**”) or disposal pursuant to the Permissible Pledge, he/it shall not and shall procure that his/its close associates or companies controlled by him/it or his/its nominees or trustees (as the case may be) who is/are the registered holder(s) of the Shares as referred to in paragraph (a) below shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owners (whether direct or indirect); and
- (b) in the period of six months commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be or cease to deem to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan), immediately inform us in writing of such pledge or charge together with the number of such Shares so pledged or charged; and
- (b) when he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

For the avoidance of doubt and as permitted under Note (1) to Rule 10.07(2) of the Listing Rules, notwithstanding the above restrictions, our Controlling Shareholders are free to purchase additional Shares or other securities of our Company during the period commencing on the date of this prospectus and ending on the date which is twelve (12) months from that date, and dispose of such securities so purchased during the relevant periods without any restrictions, subject to compliance with the requirements of Rule 8.08 of the Listing Rules to maintain an open market in the Shares and a sufficient public float.

UNDERWRITING

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by us

We have undertaken to the Sole Global Coordinator and the Public Offer Underwriters that we shall, and, each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to the Public Offer Underwriters to procure our Company shall, except pursuant to the Capitalisation Issue, the Global Offering and the Over-allotment Option and the exercise of any options granted or to be granted under the Share Option Scheme or with the prior written consent of the Sole Global Coordinator (on behalf of all Public Offer Underwriters) and unless as allowed or in compliance with the requirements of the Listing Rules, (i) at any time commencing on the Listing Date up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”) that:

- (a) not offer, accept subscription for, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase from our Company, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for from our Company, make any share sale, either directly or indirectly, or repurchase, any of its share capital or any securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase from our Company, any such share capital or securities or interest therein, as applicable);
- (b) not enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital or other securities of our Company or any interest therein;
- (c) not enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) not agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

UNDERWRITING

- (ii) during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to our Company and the Public Offer Underwriters that except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Global Coordinator (on behalf of all Public Offer Underwriters) that:

- (i) at any time during the First Six-Month Period, he/it shall not, and shall procure that his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it who is/are the relevant registered holders of the Relevant Securities (as defined below), (collectively, the “**Related Parties**”) shall not
 - (a) offer to sell, transfer, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase from him/it, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase from him/it, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) beneficially owned by him/it directly or indirectly through its Related Parties as of the Listing Date (“**Relevant Securities**”); or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
 - (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or
 - (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share or such other securities, in cash or otherwise; and

- (ii) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the Relevant Parties shall not, enter into any of the foregoing transactions in paragraphs (i) (a),

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(b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as defined in the Listing Rules) of our Company; and

- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraphs (i) (a), (b) or (c) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken jointly and severally to our Company and the Public Offer Underwriters that within the First Six-Month Period and the Second Six-Month Period, he/it will:

- (i) when he/it pledges or charges any Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledges or charges together with the number of Relevant Securities and nature of interest so pledged or charged; and
- (ii) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Relevant Securities will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Each of our Controlling Shareholders undertakes with our Company and the Public Offer Underwriters that he/it shall and shall procure the Related Parties shall, comply with all restrictions and requirements under the Listing Rules (as may be amended from time to time) on the disposal by he/it or by the Related Parties of any Relevant Securities within the Second Six-Month Period.

The International Placing

In connection with the International Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the International Underwriting Agreement with,

UNDERWRITING

inter alia, the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally and not jointly agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), with the prior written consent of our Company, at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Public Offer to require our Company to allot and issue up to an aggregate of 8,792,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares in aggregate, at the same price per Share under the Global Offering to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The Underwriters will receive an underwriting commission at the rate of 3.0% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option, if any), out of which they will pay any sub-underwriting commissions. Furthermore, our Company agrees, at its discretion, to pay to the Sole Global Coordinator a discretionary incentive fee of up to 1.25% of the aggregate Offer Price payable for the Offer Shares (excluding the Shares to be issued pursuant to the Over-allotment Option, if any). The underwriting commission (not taking into account the aforesaid incentive fee), together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$39.2 million in aggregate (based on an Offer Price of HK\$2.48 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$2.18 and HK\$2.78 per Offer Share and based on the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

Indemnity

Our Company has agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Underwriters' interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Company nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Company nor any interest in the Global Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. GF Capital is the Sole Sponsor for the listing of the Shares on the Stock Exchange and GF Securities is the Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager.

The Global Offering initially consists of (subject to reallocation and the Over-allotment Option):

- (i) the Public Offer of 5,864,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the section headed “Structure and conditions of the Global Offering — the Public Offer” in this prospectus; and
- (ii) the International Placing of 52,762,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described below in the section headed “Structure and conditions of the Global Offering — the International Placing” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act.

The Offer Shares will represent approximately 25% of the enlarged registered share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as described in the section headed “Structure and conditions of the Global Offering — the International Placing — Over-allotment Option” in this prospectus.

The number of Offer Shares to be offered under the Public Offer and the International Placing respectively may be subject to reallocation as described in the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Public Offer Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

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PRICING AND ALLOCATION

Offer Price range

The Offer Price will be not more than HK\$2.78 per Offer Share and is expected to be not less than HK\$2.18 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$2.78 per Public Offer Share plus a 1.0% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,808.02 for one board lot of 1,000 Offer Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$2.78, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to apply for Public Offer Shares — 12. Refund of application monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Monday, 9 October 2017.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Monday, 9 October 2017 and in any event, no later than 5:00 p.m. on Tuesday, 10 October 2017.

If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 5:00 p.m. on Tuesday, 10 October 2017, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of

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the Underwriters) considers it appropriate and together with our Company's consent, the indicative Offer Price range and/ or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.united-strength.com notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

Allocation

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 13 October 2017 in The Standard (in English) and Sing Tao Daily (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.united-strength.com).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC (or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form Service**), will be made available through a variety of channels as described in the section headed “How to apply for Public Offer Shares — 10. Publication of results” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or about the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the International Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse

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of the Public Offer will cause to be published by us in The Standard (in English) and Sing Tao Daily (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.united-strength.com) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Public Offer Shares — 12. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Friday, 13 October 2017 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 October 2017, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 5,864,000 Offer Shares at the Offer Price, representing approximately 10% of the 58,626,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Offer Shares offered under the Public Offer will represent approximately 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed “Structure and conditions of the Global Offering — Conditions of the Public Offer” in this section.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 2,932,000 Public Offer Shares and Pool B will comprise 2,932,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

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Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 2,932,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of the Offer Shares between the Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the International Placing so that the total number of Offer Shares available under the Public Offer will be increased to 17,588,000, 23,452,000 and 29,314,000 Shares respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)) respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply

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for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 52,762,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Placing and the Public Offer, the International Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. The International Placing is subject to the Public Offer becoming unconditional.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place the Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in paragraph "Pricing and allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, with the prior written consent of the Company, at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of applications under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 8,792,000 additional Offer Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the

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International Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

STOCK BORROWING AGREEMENT

GF Securities, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Golden Truth, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Golden Truth will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Golden Truth under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Golden Truth or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Golden Truth by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by Underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, GF Securities, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise

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prevail in the open market for a limited period after the Listing Date. Any market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Offer Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, amounting to, 8,792,000 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (ii) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of the Offer Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Offer Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Offer Shares;
- no stabilising action can be taken to support the price of the Offer Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Offer Shares, and therefore the price of the Shares, may fall;

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- the price of the Offer Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 8,792,000 additional Offer Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 16 October 2017, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 16 October 2017. The Offer Shares will be traded in board lots of 1,000 Offer Shares each under the stock code 2337.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its sole discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Monday, 9 October 2017 from:

- (i) any of the following offices of the Public Offer Underwriters:
 - (a) **GF Securities (Hong Kong) Brokerage Limited** at 29-30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
 - (b) **China Industrial Securities International Capital Limited** at 7/F, Three Exchange Square, 8 Connaught Place Central, Central, Hong Kong
 - (c) **China Securities (International) Corporate Finance Company Limited** at 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (d) **Innovax Securities Limited** at Unit A-C 20/F, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong
 - (e) **SPDB International Capital Limited** at Suites 3207-3212, One Pacific Place, 88 Queensway, Hong Kong
 - (f) **Yue Xiu Securities Company Limited** at 13/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong
 - (g) **China Investment Securities International Brokerage Limited** at Unit Nos. 7701A & 05B-08, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
 - (h) **Founder Securities (Hong Kong) Limited** at 21st Floor, 33 Des Voeux Road Central, Central, Hong Kong
 - (i) **CNI Securities Group Limited** at 10/F, Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong
 - (j) **Head & Shoulders Securities Limited** at Room 2511, 25/F Cosco Tower, 183 Queen's Road Central, Hong Kong
- (ii) any of the following branches of **Wing Lung Bank Limited**:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Monday, 9 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Wing Lung Bank (Nominees) Limited — United Strength Power Holdings Ltd Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 September 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 30 September 2017 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 October 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 October 2017 — 9:00 a.m. to 5:00 p.m.
Friday, 6 October 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 7 October 2017 — 9:00 a.m. to 1:00 p.m.
Monday, 9 October 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 9 October 2017, the last application day or such later time as described in the paragraph "Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form (or applying through the **HK eIPO White Form** service), among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

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- (vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) and/or any e-Auto Refund payment instructions to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

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- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC (or to the **HK eIPO White Form Service Provider**) by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

(a) General

Individuals who meet the criteria in the paragraph headed “Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

(b) Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 September 2017 until 11:30 a.m. on Monday, 9 October 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 9 October 2017 or such later time under the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

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(c) **No Multiple Applications**

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

(d) **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

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You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

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- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Public Offer Shares. Instructions for more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 29 September 2017 — 9:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 3 October 2017 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 4 October 2017 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 6 October 2017 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Monday, 9 October 2017 — 8:00 a.m. ⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Monday, 9 October 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 9 October 2017, the last application day or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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Personal Data

The section of the Application Form “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 9 October 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or applying through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form (or through the **HK eIPO White Form** service) in respect of a minimum of 1,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form (or as otherwise specified on the designated website at www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 October 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 9 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 13 October 2017 in The Standard (in English) and Sing Tao Daily (in Chinese) and on our Company’s website at **www.united-strength.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.united-strength.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Friday, 13 October 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 13 October 2017 to 12:00 midnight on Thursday, 19 October 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 October 2017 to Wednesday, 18 October 2017 (excluding Saturday, Sunday and public holidays in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 October 2017 to Tuesday, 17 October 2017 at the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **HK eIPO White Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **HK eIPO White Form Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.78 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed "Structure and conditions of the Global Offering — Conditions of the Public Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 13 October 2017.

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14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Friday, 13 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 16 October 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

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Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 13 October 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 13 October 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form Service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates, e-Auto Refund payment instructions or refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 13 October 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" in this section above on Friday, 13 October 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 13 October 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 October 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-66, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UNITED STRENGTH POWER HOLDINGS LIMITED AND GF CAPITAL (HONG KONG) LIMITED

INTRODUCTION

We report on the historical financial information of United Strength Power Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-66, which comprises the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 March 2017 and the statements of financial position of the Company as at 31 December 2016 and 31 March 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016 and 31 March 2017 and the Company's financial position as at 31 December 2016 and 31 March 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the three months ended 31 March 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 23(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 September 2017

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

1. Consolidated statements of profit or loss

(Expressed in Renminbi ("RMB"))

	Note	Years ended 31 December			Three months ended 31 March	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	251,778	292,127	274,605	69,504	55,920
Cost of sales	6(c)	(207,659)	(218,220)	(187,607)	(52,394)	(35,923)
Gross profit		44,119	73,907	86,998	17,110	19,997
Other income	5	4,103	3,182	6,264	1,317	1,619
Staff costs	6(b)	(8,514)	(12,557)	(14,057)	(3,896)	(4,156)
Depreciation and amortisation	6(c)	(7,546)	(10,264)	(10,080)	(2,594)	(2,734)
Operating lease charges	6(c)	(2,067)	(3,305)	(4,519)	(1,142)	(852)
Other operating expenses		(11,445)	(14,616)	(18,744)	(3,163)	(10,513)
Profit from operations		18,650	36,347	45,862	7,632	3,361
Finance costs	6(a)	(5,969)	(753)	(583)	(253)	(118)
Profit before taxation	6	12,681	35,594	45,279	7,379	3,243
Income tax	7	(3,517)	(7,334)	(10,653)	(1,668)	(1,697)
Profit for the year/period		<u>9,164</u>	<u>28,260</u>	<u>34,626</u>	<u>5,711</u>	<u>1,546</u>
Attributable to:						
Equity shareholders of the						
Company		8,470	26,190	34,186	5,515	1,021
Non-controlling interests		<u>694</u>	<u>2,070</u>	<u>440</u>	<u>196</u>	<u>525</u>
Profit for the year/period		<u>9,164</u>	<u>28,260</u>	<u>34,626</u>	<u>5,711</u>	<u>1,546</u>
Earnings per share						
- Basic and diluted	10	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The accompanying notes form part of the Historical Financial Information.

2. Consolidated statements of profit or loss and other comprehensive income

(Expressed in RMB)

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period	9,164	28,260	34,626	5,711	1,546
Other comprehensive income for the year/period (after tax):					
Items that may be reclassified subsequently to profit or loss:					
- Exchange differences on translation into presentation currency of the Group	—	—	(49)	—	45
Total comprehensive income for the year/period	<u>9,164</u>	<u>28,260</u>	<u>34,577</u>	<u>5,711</u>	<u>1,591</u>
Attributable to:					
Equity shareholders of the Company	8,470	26,190	34,137	5,515	1,066
Non-controlling interests	694	2,070	440	196	525
Total comprehensive income for the year/period	<u>9,164</u>	<u>28,260</u>	<u>34,577</u>	<u>5,711</u>	<u>1,591</u>

The accompanying notes form part of the Historical Financial Information.

3. Consolidated statements of financial position

(Expressed in RMB)

	Note	At 31 December			At
		2014	2015	2016	31 March
		RMB'000	RMB'000	RMB'000	2017
				RMB'000	
Non-current assets					
Property, plant and equipment	11	72,033	60,636	57,193	58,153
Lease prepayments	12	40,270	35,116	45,506	45,162
Deferred tax assets	22(b), 22(c)	5,512	4,758	5,336	5,404
		<u>117,815</u>	<u>100,510</u>	<u>108,035</u>	<u>108,719</u>
Current assets					
Available-for-sale investments	14	—	—	—	4,100
Inventories	15	1,948	1,335	1,648	1,392
Trade receivables	16	2,305	1,261	700	1,641
Prepayments, deposits and other receivables	17(a)	15,962	13,072	20,182	20,795
Amounts due from related parties	26(c)	—	17,838	49,098	—
Income tax recoverable	22(a)	38	393	130	708
Cash at bank and on hand	18	26,805	22,471	25,616	18,297
		<u>47,058</u>	<u>56,370</u>	<u>97,374</u>	<u>46,933</u>
Current liabilities					
Bank loans	19	48,800	20,000	15,000	—
Trade payables	20	2,153	2,775	1,990	2,227
Accrued expenses and other payables	21	15,632	15,726	31,111	26,677
Amounts due to related parties	26(c)	9,184	3,719	8,319	31,641
Income tax payable	22(a)	—	1,213	1,302	1,523
		<u>75,769</u>	<u>43,433</u>	<u>57,722</u>	<u>62,068</u>
Net current (liabilities)/assets		<u>(28,711)</u>	<u>12,937</u>	<u>39,652</u>	<u>(15,135)</u>
Total assets less current liabilities		89,104	113,447	147,687	93,584
Non-current liabilities					
Deferred tax liabilities	22(b), 22(c)	5,708	5,371	5,034	4,950
NET ASSETS		<u>83,396</u>	<u>108,076</u>	<u>142,653</u>	<u>88,634</u>
CAPITAL AND RESERVES					
Share capital	23	—	—	—	—
Reserves		69,375	103,267	137,404	82,662
Total equity attributable to equity shareholders of the Company		69,375	103,267	137,404	82,662
Non-controlling interests		14,021	4,809	5,249	5,972
TOTAL EQUITY		<u>83,396</u>	<u>108,076</u>	<u>142,653</u>	<u>88,634</u>

The accompanying notes form part of the Historical Financial Information.

4. **Statements of financial position of the Company**
(Expressed in RMB)

	Note	At 31 December 2016 RMB'000	At 31 March 2017 RMB'000
Non-current assets			
Interests in subsidiaries	13(b)	—	20,000
Current assets			
Prepayments and other receivables	17(b)	2,831	2,059
Current liabilities			
Amounts due to a related party		3,958	4,398
Accrued expenses and other payables		—	4,321
		<u>3,958</u>	<u>8,719</u>
Net current liabilities		<u>(1,127)</u>	<u>(6,660)</u>
NET (LIABILITIES)/ASSETS		<u>(1,127)</u>	<u>13,340</u>
CAPITAL AND RESERVES			
Share capital	23	—	—
Reserves		<u>(1,127)</u>	<u>13,340</u>
TOTAL (EQUITY-DEFICIT)/EQUITY		<u>(1,127)</u>	<u>13,340</u>

The accompanying notes form part of the Historical Financial Information.

5. Consolidated statements of changes in equity
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014	—	—	48,700	2,421	—	4,475	55,596	10,108	65,704
Changes in equity for 2014:									
Profit and total comprehensive income for the year	—	—	—	—	—	8,470	8,470	694	9,164
Effect on equity in connection with acquisitions of businesses (Note 27)	—	—	5,309	—	—	—	5,309	3,219	8,528
At 31 December 2014	—	—	54,009	2,421	—	12,945	69,375	14,021	83,396
At 1 January 2015	—	—	54,009	2,421	—	12,945	69,375	14,021	83,396
Changes in equity for 2015:									
Profit and total comprehensive income for the year	—	—	—	—	—	26,190	26,190	2,070	28,260
Effect on equity in connection with an acquisition of non-controlling interests (Note 28)	—	—	11,282	—	—	—	11,282	(11,282)	—
Appropriation to reserves	—	—	—	398	—	(398)	—	—	—
Distributions (Note 23(c))	—	—	—	—	—	(3,580)	(3,580)	—	(3,580)
At 31 December 2015	—	—	65,291	2,819	—	35,157	103,267	4,809	108,076

The accompanying notes form part of the Historical Financial Information.

Attributable to equity shareholders of the Company									
Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Note 23(b))	(Note 23(d)(i))	(Note 23(d)(ii))	(Note 23(d)(iii))	(Note 23(d)(iv))					
—	—	65,291	2,819	—	35,157	103,267	4,809	108,076	
At 1 January 2016									
Changes in equity for 2016:									
Profit for the year									
—	—	—	—	—	34,186	34,186	440	34,626	
Other comprehensive income for the year									
—	—	—	—	(49)	—	(49)	—	(49)	
—	—	—	—	(49)	34,186	34,137	440	34,577	
Issuance of share (Note 23(b))									
—	—	—	—	—	—	—	—	—	
At 31 December 2016									
—	—	65,291	2,819	(49)	69,343	137,404	5,249	142,653	

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company										Non-controlling interests	
	Share capital		Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained profits	Total		Total		
	RMB'000 (Note 23(b))	RMB'000 (Note 23(d)(i))	RMB'000 (Note 23(d)(ii))	RMB'000 (Note 23(d)(iii))	RMB'000 (Note 23(d)(iv))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017	—	—	65,291	2,819	(49)	69,343	137,404	5,249	142,653	—	—	
Changes in equity for the three months ended 31 March 2017:												
Profit for the period	—	—	—	—	—	1,021	1,021	525	1,546	—	—	
Other comprehensive income for the period	—	—	—	—	45	—	45	—	45	—	—	
	—	—	—	—	45	1,021	1,066	525	1,591	—	—	
Issuance of shares (Note 23(b))	—	20,000	—	—	—	—	20,000	—	20,000	—	—	
Effect on equity arising from the completion of a group reorganisation (Note 23(d)(ii))	—	—	(75,808)	—	—	—	(75,808)	198	(75,610)	—	—	
	—	20,000	(75,808)	—	—	—	(55,808)	198	(55,610)	—	—	
At 31 March 2017	—	20,000	(10,517)	2,819	(4)	70,364	82,662	5,972	88,634	—	—	
At 1 January 2016	—	—	65,291	2,819	—	35,157	103,267	4,809	108,076	—	—	
Changes in equity for the three months ended 31 March 2016 (unaudited):												
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	—	5,515	5,515	196	5,711	—	—	
At 31 March 2016 (unaudited)	—	—	65,291	2,819	—	40,672	108,782	5,005	113,787	—	—	

The accompanying notes form part of the Historical Financial Information.

6. Consolidated cash flow statements*(Expressed in RMB)*

	Note	Years ended 31 December			Three months ended 31 March	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before taxation		12,681	35,594	45,279	7,379	3,243
Adjustments for:						
Depreciation and amortisation	6(c)	7,546	10,264	10,080	2,594	2,734
Net (gain)/loss on disposal of property, plant and equipment and land use rights	5	(2)	613	161	1	2
Finance costs	6(a)	5,969	753	583	253	118
Interest income	5	(40)	(729)	(38)	(12)	(10)
Changes in working capital:						
Decrease/(increase) in inventories		1,542	613	(313)	(1,294)	256
Decrease/(increase) in trade receivables		1,258	1,044	561	(168)	(941)
(Increase)/decrease in prepayments, deposits and other receivables		(1,564)	2,890	(5,230)	496	(613)
(Decrease)/increase in trade payables		(476)	622	(785)	2,483	237
(Decrease)/increase in accrued expenses and other payables		(4,283)	(943)	3,180	542	3,780
Cash generated from operations		22,631	50,721	53,478	12,274	8,806
Income tax paid	22(a)	(3,846)	(6,059)	(11,216)	(1,582)	(2,206)
Net cash generated from operating activities		18,785	44,662	42,262	10,692	6,600

The accompanying notes form part of the Historical Financial Information.

Note	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Investing activities					
Payments for purchase of property, plant and equipment and land use rights	(15,128)	(10,736)	(6,975)	(253)	(11,525)
(Increase)/decrease in pledged bank deposits	(20,000)	20,000	—	—	—
Proceeds from disposal of property, plant and equipment and land use rights	609	16,410	1,077	5	4
Proceeds from acquisitions of businesses, net of cash acquired	27	8,335	—	—	—
Payments for the purchase of available-for-sale investments	—	—	—	—	(4,100)
Payments for acquisition of subsidiaries	23(d)(ii)	—	—	—	(75,808)
Interest received	40	729	38	12	10
Net cash (used in)/generated from investing activities	(26,144)	26,403	(5,860)	(236)	(91,419)
Financing activities					
Proceeds from issuance of shares	—	—	—	—	20,000
Proceeds from new bank loans	91,800	20,000	15,000	—	—
Repayment of bank loans	(123,000)	(48,800)	(20,000)	—	(15,000)
Distributions paid	(6,045)	(2,580)	(1,000)	(1,000)	—
Net decrease/(increase) in amounts due from related parties	33,635	(23,303)	(26,660)	(16,550)	72,618
Interest paid	(5,955)	(716)	(597)	(257)	(118)
Net cash (used in)/generated from financing activities	(9,565)	(55,399)	(33,257)	(17,807)	77,500
Net (decrease)/increase in cash and cash equivalents	(16,924)	15,666	3,145	(7,351)	(7,319)
Cash and cash equivalents at the beginning of the year/period	18	23,729	6,805	22,471	25,616
Cash and cash equivalents at the end of the year/period	18	6,805	22,471	25,616	15,120
					18,297

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information

United Strength Power Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 19 December 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, “the Group”) are principally engaged in the sale of natural gas to vehicular end-users by operating refuelling stations.

Prior to the incorporation of the Company, the Group’s business were conducted through Changchun Sinogas Company, Ltd. (“Changchun Sinogas”) and certain of the then subsidiaries of Changchun Yitonghe Petroleum Distribution Company Limited (“Changchun Yitonghe”), both of which were owned as to 74% by Mr Zhao Jinmin.

To rationalise the corporate structure in the preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group underwent a reorganisation (the “Reorganisation”), as detailed in the section headed “History, Reorganisation and Development” in the Prospectus. As part of the Reorganisation, United Strength Power HK Limited, a wholly-owned subsidiary of the Company, acquired the entire equity interests of Changchun Sinogas, and Changchun Sinogas further acquired the equity interests in Changchun Yitonghe’s then subsidiaries engaged in the sale of natural gas to vehicular end-users by operating refuelling stations at a total consideration of RMB75,808,000.

In preparation for the listing of the Company’s shares on the Stock Exchange, the Group underwent the Reorganisation which principally involved the following:

- (a) On 19 December 2016, the Company was incorporated in the Cayman Islands.
- (b) On 4 January 2017 and 17 January 2017, United Strength Power International Limited and United Strength Power HK Limited were incorporated in the British Virgin Islands and Hong Kong, respectively, directly or indirectly controlled by the Company.
- (c) In February 2017, United Strength Power HK Limited acquired the entire equity interests of Changchun Sinogas from China Source Enterprises Limited, a related party of the Group, for a consideration of RMB20,000,000.
- (d) In March 2017, the subsidiaries of the Group established in the People’s Republic of China (the “PRC”) other than Changchun Sinogas and its then subsidiary were acquired by Changchun Sinogas at an aggregate consideration of RMB55,808,000.

- (e) In December 2016, Changchun Sinogas disposed of the Other Business (as defined below) to a third party.

Upon completion of the Reorganisation on 15 March 2017, the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were controlled by Mr Zhao Jinmin and owned by Mr Zhao Jinmin and other equity shareholders in the same proportionate interest before and after the Reorganisation, there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting the newly formed entities with no substantive operations as the new holding companies of the companies now comprising the Group. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

During the Track Record Period, a branch of Changchun Sinogas owned a mother station which was operated by a related party of the Group (the "Other Business"). The Historical Financial Information excludes the Other Business, whose businesses are maintained by separate management personnel and are, in the opinion of the directors of the Company, clearly delineated from the Group's principal activities in the sale of natural gas to vehicular end-users by operating refuelling stations.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period as set out in the Historical Financial Information include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were incorporated/established/acquired at a date later than 1 January 2014, for the period from the date of incorporation/establishment/acquisition to 31 March 2017), as if the Reorganisation had been completed at the beginning of the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 March 2017 as set out in the Historical Financial Information have been prepared to present the financial position of the companies comprising the Group as at the respective dates as if the Reorganisation had been completed at the respective dates, taking into account the respective dates of incorporation, establishment or acquisition, where applicable.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, United Strength Power International Limited, United Strength Power HK Limited and Yanbian Xinyuan Natural Gas Sales Company Limited (延邊鑫源天然氣銷售有限公司), as they either have not carried on any business since their respective dates of incorporation or are newly set up and not subject to statutory audit requirements under the relevant rules and regulations in the respective jurisdictions of incorporation. The financial statements of the subsidiaries of the Group for each of the years ended 31 December 2014, 2015 and 2016 for which there are statutory audits performed were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest			Principal activities	Name of statutory auditor
			The Group's effective interest	Held by the Company	Held by subsidiaries		
Jilin Dongkun Gas Company Limited ("Jilin Dongkun Gas") (吉林東昆燃氣有限公司)*	The PRC 30 September 1999	RMB18,728,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Renhe Certified Public Accountants Co., Ltd. (吉林仁和會計師事務所有限公司)****
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited ("Jilin Clean Energy") (吉林中油潔能環保有限責任公司)*	The PRC 19 September 2001	RMB8,000,000	51%	—	51%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Jiahe Certified Public Accountants Co., Ltd. (吉林佳禾會計師事務所有限公司)****
Changchun Sinogas (長春中油潔能燃氣有限公司)**	The PRC 18 July 2005	RMB20,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Renhe Certified Public Accountants Co., Ltd. (吉林仁和會計師事務所有限公司)****
Wuchang City Qinglian Gas Company Limited (五常市慶聯燃氣有限公司)*	The PRC 18 April 2006	RMB3,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Renhe Certified Public Accountants Co., Ltd. (吉林仁和會計師事務所有限公司)****
Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司)*	The PRC 16 July 2007	RMB20,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Renhe Certified Public Accountants Co., Ltd. (吉林仁和會計師事務所有限公司)****
Yanbian United Strength Energy Technology Development Company Limited ("Yanbian United Strength") (延邊眾誠能源技術開發有限公司)*	The PRC 14 July 2008	RMB500,000	60%	—	60%	Development of energy technology	Yanbian Tianping Certified Public Accountants Co., Ltd. (延邊天平會計師事務所有限公司)****
Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司)*	The PRC 12 August 2010	RMB5,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Renhe Certified Public Accountants Co., Ltd. (吉林仁和會計師事務所有限公司)****

Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest			Principal activities	Name of statutory auditor
			The Group's effective interest	Held by the Company	Held by subsidiaries		
Meihekou City Yujia Petrochemical Company Limited (梅河口市譽嘉石化有限公司)*	The PRC 27 December 2011	RMB10,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Jilin Renhe Certified Public Accountants Co., Ltd. (吉林仁和會計師事務所有限公司)****
Yanbian Xinyuan Natural Gas Sales Company Limited (延邊鑫源天然氣銷售有限公司)*	The PRC 29 May 2013	RMB5,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	N/A
Jixi United Strength Vehicle Energy Investment Company Limited (雞西眾誠汽車能源投資有限公司)*	The PRC 5 September 2013	RMB5,000,000	100%	—	100%	Sale of natural gas to vehicular end-users by operating refuelling stations	Heilongjiang Jinyuda Certified Public Accountants Co., Ltd. (黑龍江金譽達會計師事務所有限公司)****
United Strength Power International Limited***	The British Virgin Islands 4 January 2017	100 shares of United States dollar 1 each	100%	100%	—	Investment holding	N/A
United Strength Power HK Limited***	Hong Kong 17 January 2017	1 share	100%	—	100%	Investment holding	N/A

Notes:

- * The official names of these entities are in Chinese. The English translation of the names are for identification purpose only. These companies are limited liability companies established in the PRC.
- ** The official name of this entity is in Chinese. The English translation of the name is for identification purpose only. This company is a wholly foreign owned enterprise established in the PRC.
- *** These companies are limited liability companies incorporated outside of the PRC.
- **** The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2017. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 31 March 2017. The directors of the Company are of the opinion that, based on a detailed review of the working capital forecast of the Group for the year ending 31 March 2018, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

2 Significant accounting policies

(a) *Basis of measurement*

The Historical Financial Information is presented in Renminbi (“RMB”).

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for available-for-sale investments (see Note 2(e)) which are stated at their fair values.

(b) *Use of estimates and judgements*

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

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

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

(c) *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see Note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(d) *Subsidiaries and non-controlling interests*

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

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

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

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

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

(e) Other investments in debt securities

Investments in debt securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in debt securities which do not fall into the categories of investments in securities held for trading and held-to-maturity are classified as available-for-sale investments. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from debt securities calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 2(q)(iv).

When the investments are derecognised or impaired (see Note 2(h)(i)), the cumulative gain or loss is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

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

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

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

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

	Estimated useful lives
— Buildings	Over the shorter of the term of lease and their estimated useful lives
— Refuelling equipment	3-15 years
— Motor vehicles and other equipment	3-10 years

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

(g) *Leased assets*

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

(i) *Classification of assets leased to the Group*

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

(ii) *Operating lease charges*

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

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

(h) *Impairment of assets*

(i) *Impairment of investments in debt securities and receivables*

Investments in debt securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

- for trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

- for available-for-sale debt securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the respective receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

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

- property, plant and equipment; and
- prepaid interests in leasehold land classified as being held under an operating lease.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(i) *Inventories*

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

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

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

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

(j) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(h)(i)).

(k) *Interest-bearing borrowings*

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

(l) *Trade and other payables*

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) *Employee benefits*

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

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

(ii) *Termination benefits*

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

(o) *Income tax*

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

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) ***Provisions and contingent liabilities***

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

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

(q) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of goods*

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

(ii) *Rendering of services*

Revenue from the rendering of services is recognised when the related services are rendered.

(iii) *Rental income from operating leases*

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

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Government grants*

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

(r) *Translation of foreign currencies*

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates.

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

(s) *Borrowing costs*

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

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

(t) *Related parties*

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(u) ***Segment reporting***

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

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

3 Accounting judgements and estimates

Note 24 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) ***Impairment of long-lived assets***

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(h)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) ***Depreciation***

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

(c) ***Deferred tax***

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 Revenue and segment reporting

(a) ***Revenue***

The principal activities of the Group are the sale of natural gas to vehicular end-users by operating refuelling stations. Given the retail nature of the Group's business, the directors of the Company consider that the Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the Track Record Period. Details of concentration of credit risk arising from the customers are set out in Note 24(a).

(b) ***Segment reporting***

The Group manages its business mainly in a single segment, namely the sale of natural gas to vehicular end-users by operating refuelling stations business. Accordingly, no operating segment information is presented.

All of the Group's customers patronised at the Group's operations carried out in the PRC. The Group's non-current assets, including property, plant and equipment and lease prepayments are all located in the PRC.

5 Other income

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Rental income from operating leases	1,512	1,195	5,015	972	1,272
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party	350	913	1,100	275	275
Net gain/(loss) on disposal of property, plant and equipment and land use rights	2	(613)	(161)	(1)	(2)
Government grants	1,736	942	44	11	61
Interest income	40	729	38	12	10
Others	463	16	228	48	3
	<u>4,103</u>	<u>3,182</u>	<u>6,264</u>	<u>1,317</u>	<u>1,619</u>

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interests on bank loans	<u>5,969</u>	<u>753</u>	<u>583</u>	<u>253</u>	<u>118</u>

No borrowing costs have been capitalised for each of the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 (unaudited) and 2017.

(b) *Staff costs:*

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	7,377	10,987	12,365	3,473	3,720
Contributions to defined contribution retirement plans	1,137	1,570	1,692	423	436
	<u>8,514</u>	<u>12,557</u>	<u>14,057</u>	<u>3,896</u>	<u>4,156</u>

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars ("HK\$") 30,000. Contributions to the MPF Scheme vest immediately.

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

(c) *Other items:*

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation (Notes 11 and 12)	7,546	10,264	10,080	2,594	2,734
Operating lease charges in respect of property, plant and equipment and land use rights	2,067	3,305	4,519	1,142	852
Auditors' remuneration:					
- statutory audit services	166	200	200	48	54
- services in connection with the proposed initial listing of the Company's shares	—	—	934	—	1,034
Cost of inventories (Note 15(b))	<u>207,659</u>	<u>218,220</u>	<u>187,607</u>	<u>52,394</u>	<u>35,923</u>

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax (Note 22(a))					
Provision for the year/period	4,130	6,917	11,568	2,110	1,849
Deferred tax (Note 22(b))					
Origination and reversal of temporary differences	(613)	417	(915)	(442)	(152)
	<u>3,517</u>	<u>7,334</u>	<u>10,653</u>	<u>1,668</u>	<u>1,697</u>

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before taxation	<u>12,681</u>	<u>35,594</u>	<u>45,279</u>	<u>7,379</u>	<u>3,243</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i) and (ii))	3,170	8,899	11,589	1,845	2,205
Tax effect of non-deductible expenses	347	198	585	79	42
Tax concessions (Note (iii))	—	(1,763)	(1,521)	(256)	(550)
Actual tax expense	<u>3,517</u>	<u>7,334</u>	<u>10,653</u>	<u>1,668</u>	<u>1,697</u>

Notes:

- (i) The Company is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.
- (ii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.
- (iii) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% during the Track Record Period.

8 Directors' emoluments

Details of the emoluments of the directors during the Track Record Period are as follows:

Year ended 31 December 2014				
Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director Mr Zhao Jinmin	—	—	—	—
Year ended 31 December 2015				
Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director Mr Zhao Jinmin	—	—	—	—
Year ended 31 December 2016				
Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director Mr Zhao Jinmin	—	—	—	—
Three months ended 31 March 2016 (unaudited)				
Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director Mr Zhao Jinmin	—	—	—	—

	Three months ended 31 March 2017				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Zhao Jinmin	—	—	—	—	—
Mr Liu Yingwu	—	—	—	—	—
Mr Wang Qingguo	—	—	—	—	—
Mr Xu Huilin	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

On 19 December 2016, Mr Zhao Jinmin was appointed as a director of the Company. On 16 March 2017, Mr Liu Yingwu, Mr Wang Qingguo and Mr Xu Huilin were appointed as directors of the Company.

On 21 March 2017, Mr Zhao Jinmin, Mr Liu Yingwu, Mr Wang Qingguo and Mr Xu Huilin were redesignated as executive directors of the Company.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No emoluments was paid to independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

9 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments, none is a director of the Company for each of the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 (unaudited) and 2017, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, discretionary bonuses and other emoluments	445	462	643	172	213
Retirement scheme contributions	31	33	37	12	19
	<u>476</u>	<u>495</u>	<u>680</u>	<u>184</u>	<u>232</u>

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

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
				(unaudited)	
Hong Kong dollar ("HK\$") Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

11 Property, plant and equipment

The Group

	Buildings	Refuelling equipment	Motor vehicles and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2014	14,809	48,848	9,508	4,008	77,173
Additions	415	3,282	598	10,833	15,128
Transfer in/(out)	4,415	4,504	—	(8,919)	—
Additions through acquisitions of businesses (Note 27)	523	2,229	5,412	—	8,164
Disposals	—	(775)	(24)	—	(799)
At 31 December 2014	<u>20,162</u>	<u>58,088</u>	<u>15,494</u>	<u>5,922</u>	<u>99,666</u>
Accumulated depreciation:					
At 1 January 2014	3,122	15,394	2,778	—	21,294
Charge for the year	689	4,877	965	—	6,531
Written back on disposals	—	(173)	(19)	—	(192)
At 31 December 2014	<u>3,811</u>	<u>20,098</u>	<u>3,724</u>	<u>—</u>	<u>27,633</u>
Carrying amount:					
At 31 December 2014	<u>16,351</u>	<u>37,990</u>	<u>11,770</u>	<u>5,922</u>	<u>72,033</u>
Cost:					
At 1 January 2015	20,162	58,088	15,494	5,922	99,666

	Motor vehicles				Total
	Buildings	Refuelling equipment	and other equipment	Construction in progress	
	RMB'000	RMB'000	RMB'000	RMB'000	
Additions	—	4,688	820	161	5,669
Transfer in/(out)	4,330	1,079	—	(5,409)	—
Disposals	(757)	(12,904)	(600)	—	(14,261)
At 31 December 2015	<u>23,735</u>	<u>50,951</u>	<u>15,714</u>	<u>674</u>	<u>91,074</u>
Accumulated depreciation:					
At 1 January 2015	3,811	20,098	3,724	—	27,633
Charge for the year	921	6,350	2,047	—	9,318
Written back on disposals	(112)	(5,902)	(499)	—	(6,513)
At 31 December 2015	<u>4,620</u>	<u>20,546</u>	<u>5,272</u>	<u>—</u>	<u>30,438</u>
Carrying amount:					
At 31 December 2015	<u>19,115</u>	<u>30,405</u>	<u>10,442</u>	<u>674</u>	<u>60,636</u>
Cost:					
At 1 January 2016	23,735	50,951	15,714	674	91,074
Additions	1,229	2,965	2,560	—	6,754
Disposals	—	(2,464)	(1,014)	—	(3,478)
At 31 December 2016	<u>24,964</u>	<u>51,452</u>	<u>17,260</u>	<u>674</u>	<u>94,350</u>
Accumulated depreciation:					
At 1 January 2016	4,620	20,546	5,272	—	30,438
Charge for the year	1,195	5,697	2,067	—	8,959
Written back on disposals	—	(1,594)	(646)	—	(2,240)
At 31 December 2016	<u>5,815</u>	<u>24,649</u>	<u>6,693</u>	<u>—</u>	<u>37,157</u>
Carrying amount:					
At 31 December 2016	<u>19,149</u>	<u>26,803</u>	<u>10,567</u>	<u>674</u>	<u>57,193</u>
Cost:					
At 1 January 2017	24,964	51,452	17,260	674	94,350
Additions	—	2,035	1,321	—	3,356
Disposals	—	—	(13)	—	(13)
At 31 March 2017	<u>24,964</u>	<u>53,487</u>	<u>18,568</u>	<u>674</u>	<u>97,693</u>
Accumulated depreciation:					
At 1 January 2017	5,815	24,649	6,693	—	37,157
Charge for the period	314	1,482	594	—	2,390
Written back on disposals	—	—	(7)	—	(7)
At 31 March 2017	<u>6,129</u>	<u>26,131</u>	<u>7,280</u>	<u>—</u>	<u>39,540</u>
Carrying amount:					
At 31 March 2017	<u>18,835</u>	<u>27,356</u>	<u>11,288</u>	<u>674</u>	<u>58,153</u>

Notes:

- (i) As at 31 December 2014, 2015 and 2016 and 31 March 2017, property certificates of certain properties with carrying amounts of RMB1,722,000, RMB466,000, RMB436,000 and RMB132,000, respectively, are yet to be obtained. As at 31 March 2017, the Group is in the process of applying for the ownership certificates for these properties. Mr Zhao Jinmin has undertaken to procure the obtaining of the title documents for the above mentioned properties. If title documents could not be obtained, Mr Zhao Jinmin agreed to indemnify the Group for all the losses and damages arising therefrom.
- (ii) The Group leases out a number of properties (buildings and land use rights) and equipment under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the aggregate carrying amounts of the properties (buildings and land use rights) and equipment leased out amounted to RMB3,397,000, RMB3,170,000, RMB7,275,000 and RMB6,351,000, respectively.

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

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,234	662	2,884	3,575
After 1 year but within 5 years	2,120	1,945	6,239	5,666
After 5 years	5,581	5,094	4,534	4,394
	8,935	7,701	13,657	13,635

12 Lease prepayments

The Group

	Years ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January	43,801	43,801	38,634	50,145
Additions	—	5,067	11,511	—
Disposals	—	(10,234)	—	—
At 31 December/31 March	43,801	38,634	50,145	50,145
Accumulated amortisation:				
At 1 January	2,516	3,531	3,518	4,639
Charge for the year/period	1,015	946	1,121	344
Written back on disposals	—	(959)	—	—
At 31 December/31 March	3,531	3,518	4,639	4,983
Carrying amount:				
At 31 December/31 March	40,270	35,116	45,506	45,162

Notes:

- (i) Lease prepayments represent land use right premiums paid by the Group for land located in the PRC. These land use rights are with lease periods of 30 to 50 years.
- (ii) As at 31 December 2014, 2015 and 2016 and 31 March 2017, land use right certificates of certain land use rights with carrying amounts of RMB17,331,000, RMB8,445,000, RMB11,164,000 and RMB9,592,000, respectively, are yet to be obtained. As at 31 March 2017, the Group is in the process of applying for the ownership certificates for these land use rights. Mr Zhao Jinmin has undertaken to procure the obtaining of the title documents for the abovementioned land use rights. If title documents could not be obtained, Mr Zhao Jinmin agreed to indemnify the Group for all the losses and damages arising therefrom.

13 Interests in subsidiaries

(a) *The Group*

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

	At 31 December			At 31 March	
	2014	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	
NCI percentage:					
- Jilin Clean Energy	49%	49%	49%	49%	
- Jilin Dongkun Gas (see Note 28)	40%	0%	0%	0%	
- Shenyang United Strength Investment Management Company Limited ("Shenyang United Strength") (Note (i))	45%	45%	45%	N/A	
- Yanbian United Strength	<u>40%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>	
Non-current assets	39,234	5,461	6,178	6,890	
Current assets	13,854	18,724	20,378	20,289	
Current liabilities	14,090	14,425	16,080	15,182	
Non-current liabilities	<u>5,543</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Net assets	<u>33,455</u>	<u>9,760</u>	<u>10,476</u>	<u>11,997</u>	
Net assets attributable to NCI	<u>14,021</u>	<u>4,809</u>	<u>5,249</u>	<u>5,972</u>	
	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)		
Revenue	<u>42,845</u>	<u>105,692</u>	<u>77,402</u>	<u>21,211</u>	<u>13,490</u>
Profit and total comprehensive income for the year/period	<u>1,616</u>	<u>4,512</u>	<u>716</u>	<u>365</u>	<u>1,080</u>
Profit and total comprehensive income attributable to NCI	<u>694</u>	<u>2,070</u>	<u>440</u>	<u>196</u>	<u>525</u>

 Note:

- (i) In November 2016, Shenyang United Strength ceased operation as a result of the expiration of its entrustment agreements for two gas refuelling stations. Upon completion of the Reorganisation on 15 March 2017, Shenyang United Strength is no longer a subsidiary of the Group.

(b) *The Company*

	At 31 December 2016	At 31 March 2017
	RMB'000	RMB'000
Investment, at cost	—	—
Amount due from a subsidiary (Note (i))	—	20,000
	—	20,000

 Note:

- (i) The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment.

14 Available-for-sale investments

The Group

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted debt securities with original maturity within three months (Note (i))	—	—	—	4,100

 Note:

- (i) The unlisted debt securities with original maturity within three months represent wealth management products issued by financial institutions with variable returns and are measured in accordance with accounting policies set out in Note 2(e).

15 Inventories

The Group

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

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gases	1,123	511	654	815
Spare parts	825	824	994	577
	<u>1,948</u>	<u>1,335</u>	<u>1,648</u>	<u>1,392</u>

(b) *The analyses of the amounts of inventories recognised as expenses and included in the consolidated statements of profit or loss are as follows:*

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Carrying amount of inventories sold	<u>207,659</u>	<u>218,220</u>	<u>187,607</u>	<u>52,394</u>	<u>35,923</u>

16 Trade receivables

The Group

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables due from:				
- third parties	2,252	1,261	700	1,580
- related parties (Note 26(c))	<u>53</u>	<u>—</u>	<u>—</u>	<u>61</u>
	<u>2,305</u>	<u>1,261</u>	<u>700</u>	<u>1,641</u>

All of the trade receivables, net of allowance for doubtful debts (if any), are expected to be recovered within one year.

(a) *Ageing analyses*

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the ageing analyses of trade receivables, based on the invoice date and net of allowance for doubtful debts (if any), are as follows:

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	1,249	911	700	1,641
Over 6 months	1,056	350	—	—
	<u>2,305</u>	<u>1,261</u>	<u>700</u>	<u>1,641</u>

Further details on the Group's credit policy are set out in Note 24(a).

(b) *Trade receivables that are not impaired*

The ageing analyses of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,249	911	700	1,641
1 to 3 months past due	29	—	—	—
Over 6 months past due	1,027	350	—	—
	<u>1,056</u>	<u>350</u>	<u>—</u>	<u>—</u>
	<u>2,305</u>	<u>1,261</u>	<u>700</u>	<u>1,641</u>

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

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

17 Prepayments, deposits and other receivables

(a) *The Group*

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for purchase of inventories from:				
- related parties (Note 26(c))	8,439	6,526	5,994	4,730
- third parties	<u>3,077</u>	<u>1,648</u>	<u>5,989</u>	<u>7,532</u>
	11,516	8,174	11,983	12,262
Advances to staff	1,556	2,450	79	222
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares (Note (i))	—	—	4,086	4,783
Others	<u>2,890</u>	<u>2,448</u>	<u>4,034</u>	<u>3,528</u>
	<u>15,962</u>	<u>13,072</u>	<u>20,182</u>	<u>20,795</u>

All of the prepayments, deposits and other receivables are expected to be recovered, recognised as expenses or transferred to equity within one year.

Note:

- (i) The balance at 31 March 2017 will be charged to profit or loss or transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange.

(b) *The Company*

	At 31 December	At 31 March
	2016	2017
	RMB'000	RMB'000
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares (Note 17(a)(i))	<u>2,831</u>	<u>2,059</u>

18 Cash at bank and on hand**The Group**

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	6,805	22,471	25,616	18,297
Pledged bank deposits (Note (i))	<u>20,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash at bank and on hand in the consolidated statements of financial position	26,805	22,471	25,616	18,297
Pledged bank deposits	<u>(20,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents in the consolidated cash flow statements	<u>6,805</u>	<u>22,471</u>	<u>25,616</u>	<u>18,297</u>

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

Note:

- (i) These bank deposits were pledged as securities for bank loan of RMB18,800,000 as at 31 December 2014 (see Note 19). These pledged bank deposits had been released upon the repayment of the above bank loan in 2015.

19 Bank loans

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

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Secured by property, plant and equipment and land use rights of the Group and equity interests of a related party, and guaranteed by a related party (Note 26(b))	30,000	—	—	—
Secured by property, plant and equipment of the Group, and guaranteed by a related party (Note 26(b))	—	20,000	—	—
Secured by bank deposits of the Group (Note 18(i))	18,800	—	—	—
Guaranteed by related parties (Note 26(b))	<u>—</u>	<u>—</u>	<u>15,000</u>	<u>—</u>
	<u>48,800</u>	<u>20,000</u>	<u>15,000</u>	<u>—</u>

At 31 December 2014, 2015 and 2016, the aggregate carrying amounts of the property, plant and equipment and land use rights pledged for the Group's short-term bank loans are RMB93,197,000, RMB30,417,000 and RMBNil, respectively.

Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 24(b). At 31 December 2014, 2015 and 2016, none of the covenants relating to the bank loans had been breached.

20 Trade payables

The Group

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables due to:				
- related parties (Note 26(c))	1,421	59	289	579
- third parties	<u>732</u>	<u>2,716</u>	<u>1,701</u>	<u>1,648</u>
	<u>2,153</u>	<u>2,775</u>	<u>1,990</u>	<u>2,227</u>

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

At 31 December 2014, 2015 and 2016 and 31 March 2017, the ageing analyses of the Group's trade payables, based on the invoice date, are as follows:

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	<u>2,153</u>	<u>2,775</u>	<u>1,990</u>	<u>2,227</u>

21 Accrued expenses and other payables

The Group

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for staff related costs	913	1,689	2,209	1,963
Deposits from customers	1,421	1,352	1,032	1,060
Distributions payable (Notes 23(c) and 26(c))	—	1,000	—	—
Payables for acquisitions of property, plant and equipment and land use rights	4,777	4,777	17,946	9,777
Payables for costs incurred in connection with the proposed initial listing of the Company's shares	—	—	—	3,836
Others	<u>3,516</u>	<u>2,935</u>	<u>5,390</u>	<u>4,826</u>
Financial liabilities measured at amortised cost	<u>10,627</u>	<u>11,753</u>	<u>26,577</u>	<u>21,462</u>
Receipts in advance from:				
- a related party (Note 26(c))	3,930	—	—	—
- third parties	<u>1,075</u>	<u>3,973</u>	<u>4,534</u>	<u>5,215</u>
	<u>5,005</u>	<u>3,973</u>	<u>4,534</u>	<u>5,215</u>
	<u>15,632</u>	<u>15,726</u>	<u>31,111</u>	<u>26,677</u>

All of the accrued expenses and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

22 Income tax in the consolidated statements of financial position

The Group

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

	Years ended 31 December			Three months ended 31 March 2017
	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000
Income tax (recoverable)/payable at 1 January, net	(322)	(38)	820	1,172
Provision for the year/period (Note 7(a))	4,130	6,917	11,568	1,849
Income tax paid	<u>(3,846)</u>	<u>(6,059)</u>	<u>(11,216)</u>	<u>(2,206)</u>
Income tax (recoverable)/payable at 31 December/31 March, net	<u>(38)</u>	<u>820</u>	<u>1,172</u>	<u>815</u>
	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Representing:				
Income tax payable	<u>—</u>	<u>1,213</u>	<u>1,302</u>	<u>1,523</u>
Income tax recoverable	<u>38</u>	<u>393</u>	<u>130</u>	<u>708</u>

(b) *Deferred tax assets and liabilities recognised:*

The deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movements throughout the Track Record Period are as follows:

	Unused tax losses	Fair value adjustments on property, plant and equipment and lease prepayments and subsequent depreciation and amortisation	Accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	2,494	(6,045)	—	(3,551)
Credited to the consolidated statements of profit or loss (Note 7(a))	277	310	26	613
Additions through acquisitions of businesses (Note 27)	<u>238</u>	<u>2,444</u>	<u>60</u>	<u>2,742</u>
At 31 December 2014 and 1 January 2015	3,009	(3,291)	86	(196)
(Charged)/credited to the consolidated statements of profit or loss (Note 7(a))	<u>(482)</u>	<u>93</u>	<u>(28)</u>	<u>(417)</u>
At 31 December 2015 and 1 January 2016	2,527	(3,198)	58	(613)
Credited to the consolidated statements of profit or loss (Note 7(a))	<u>465</u>	<u>93</u>	<u>357</u>	<u>915</u>
At 31 December 2016 and 1 January 2017	2,992	(3,105)	415	302
Credited/(charged) to the consolidated statements of profit or loss (Note 7(a))	<u>477</u>	<u>23</u>	<u>(348)</u>	<u>152</u>
At 31 March 2017	<u><u>3,469</u></u>	<u><u>(3,082)</u></u>	<u><u>67</u></u>	<u><u>454</u></u>

(c) *Reconciliation of deferred tax assets and liabilities recognised in the consolidated statements of financial position:*

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised in the consolidated statements of financial position	5,512	4,758	5,336	5,404
Deferred tax liabilities recognised in the consolidated statements of financial position	<u>(5,708)</u>	<u>(5,371)</u>	<u>(5,034)</u>	<u>(4,950)</u>
	<u>(196)</u>	<u>(613)</u>	<u>302</u>	<u>454</u>

(d) *Deferred tax liabilities not recognised*

At 31 December 2014, 2015 and 2016 and 31 March 2017, taxable temporary differences relating to the retained profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMB20,168,000, RMB49,792,000, RMB88,053,000 and RMB96,753,000, respectively, where no deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits were recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23 Capital, reserves and distributions(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity.

Details of the changes of the Company's individual components of equity are set out below:

	Share capital	Share Premium	Exchange reserve	Accumulated losses	Total equity
	RMB'000 (Note 23(b))	RMB'000 (Note 23(d)(i))	RMB'000 (Note 23(d)(iv))	RMB'000	RMB'000
At 19 December 2016 (date of incorporation)	—	—	—	—	—
Changes in equity:					
Loss for the period	—	—	—	(1,078)	(1,078)
Other comprehensive income for the period	—	—	(49)	—	(49)
	—	—	(49)	(1,078)	(1,127)
Issuance of share (Note 23(b))	—	—	—	—	—
At 31 December 2016	—	—	(49)	(1,078)	(1,127)
At 1 January 2017	—	—	(49)	(1,078)	(1,127)
Changes in equity:					
Loss for the period	—	—	—	(5,578)	(5,578)
Other comprehensive income for the period	—	—	45	—	45
	—	—	45	(5,578)	(5,533)
Issuance of shares (Note 23(b))	—	20,000	—	—	20,000
At 31 March 2017	—	20,000	(4)	(6,656)	13,340

(b) *Share capital*

For the purpose of the Historical Financial Information, the paid-in capital of the PRC subsidiaries of the Group as at 1 January 2014, 31 December 2014 and 2015 are included in “other reserve” within equity. The share capital of the Group as at 31 December 2016 and 31 March 2017 represented the issued and paid-up capital of the Company, comprising one share and 1,000 shares at HK\$0.1 each, respectively.

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 19 December 2016 with authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each.

On 16 March 2017, 999 shares of HK\$0.1 each were allotted and issued by the Company for an aggregate subscription price of HK\$22,800,000 (equivalent to approximately RMB20,000,000) credited as fully paid.

(c) *Distributions*

During the Track Record Period, a subsidiary of the Group made the following distribution to its equity holder:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Distribution	—	3,580	—	—	—

The directors of the Company consider that the distribution made during the Track Record Period is not indicative of the future dividend policy of the Company and the Group. The Company did not declare any dividends to the equity shareholders of the Company during the Track Record Period.

(d) *Nature and purpose of reserves*(i) *Share premium*

The application of the share premium account is governed by Section 34 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(ii) *Other reserve*

The other reserve at 1 January 2014, 31 December 2014, 2015 and 2016 represented the paid-in capital of the PRC subsidiaries of the Group and the differences between the considerations paid and net assets acquired through business combinations and acquisitions of non-controlling interests.

Pursuant to the Reorganisation completed on 15 March 2017, the Company became the holding company of the companies now comprising the Group and accordingly, the paid-in capital of the PRC subsidiaries of the Group were eliminated against the consideration of RMB75,808,000 paid when preparing the Historical Financial Information since that date.

(iii) *Statutory reserve*

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established in Mainland China required to transfer 10% of its net profit to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) *Exchange reserve*

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

(e) *Capital management*

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

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

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

24 Financial risk management and fair values of financial instruments

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

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

(a) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables and available-for-sale debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of available-for-sale debt investments, the Group's strategy is to acquire these investments with well-known financial institutions in the PRC. Accordingly, the Group considers its exposure to credit risk to be low in this respect.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates. The Group's customers are mainly vehicular end-users which include individual and corporate customers. Cash before delivery is generally required for all individual customers, where credit terms of one month are granted to corporate customers. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of the customer or debtor rather than the industry in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. At 31 December 2014, 2015 and 2016 and 31 March 2017, 44.5%, 36.6%, 100.0% and 45.8% of the trade receivables, respectively, were due from the Group's largest debtor; and 98.2%, 100.0%, 100.0% and 96.0% of the trade receivables, respectively, were due from the Group's five largest debtors.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from available-for-sale debt investments and trade and other receivables are set out in Notes 14, 16, 17 and 26(c).

(b) *Liquidity risk*

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

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

	At 31 December 2014		At 31 December 2015		At 31 December 2016		At 31 March 2017	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	50,384	48,800	20,746	20,000	15,707	15,000	—	—
Trade payables	2,153	2,153	2,775	2,775	1,990	1,990	2,227	2,227
Accrued expenses and other payables measured at amortised cost	10,627	10,627	11,753	11,753	26,577	26,577	21,462	21,462
Amounts due to related parties	9,184	9,184	3,719	3,719	8,319	8,319	31,641	31,641
	<u>72,348</u>	<u>70,764</u>	<u>38,993</u>	<u>38,247</u>	<u>52,593</u>	<u>51,886</u>	<u>55,330</u>	<u>55,330</u>

(c) *Interest rate risk*

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

Interest rate profile

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

	At 31 December 2014		At 31 December 2015		At 31 December 2016		At 31 March 2017	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000
	%		%		%		%	
Fixed rate borrowings	6.00%	<u>48,800</u>	5.00%	<u>20,000</u>	4.87%	<u>15,000</u>	—	<u>—</u>

The Group is not exposed to cash flow interest rate risk during the Track Record Period.

(d) *Fair value measurement*(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into Level 2			
	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
<i>Assets:</i>				
Unlisted debt securities (Note 14)	—	—	—	4,100

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted available-for-sale debt instruments is determined using the rates of return of comparable instruments.

(ii) *Fair value of financial instruments carried at other than fair value*

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 31 March 2017.

25 Commitments

- (a) *Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:*

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Commitments in respect of property, plant and equipment and land use rights:				
- Contracted for	2,983	—	—	—
- Authorised but not contracted for	<u>13,022</u>	<u>6,084</u>	<u>6,084</u>	<u>6,084</u>
	<u>16,005</u>	<u>6,084</u>	<u>6,084</u>	<u>6,084</u>

- (b) *At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,502	1,948	2,695	2,371
After 1 year but within 5 years	6,588	4,948	5,473	5,341
After 5 years	<u>14,772</u>	<u>12,737</u>	<u>12,056</u>	<u>11,757</u>
	<u>23,862</u>	<u>19,633</u>	<u>20,224</u>	<u>19,469</u>

The Group leases certain land, buildings and equipment under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent lease rentals.

26 Material related party transactions and balances

The material related party transactions entered into by the Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below.

(a) *Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:*

Name of related party	Relationship
Changchun Sinogas Nong'an Mother Station Branch Company (長春中油潔能燃氣有限公司農安母站分公司)*	A branch controlled by the equity shareholders of the Company
Changchun Yitonghe (長春伊通河石油經銷有限公司)*	A company controlled by the equity shareholders of the Company
Jilin Province Jieli Logistics Company Limited (吉林省捷利物流有限公司)*	A company controlled by the equity shareholders of the Company
Changchun Longxing LPG Company Limited (長春隆興液化氣有限公司)*	A company controlled by the equity shareholders of the Company
Jilin Chinese Petroleum Clean Energy Storage and Transportation Company Limited (吉林中油潔能儲運有限公司)*	A company controlled by the equity shareholders of the Company
Jilin Province Songyuan Petrochemical Company Limited (吉林省松原石油化工股份有限公司)*	A company controlled by the equity shareholders of the Company
Jilin Province Yafei Technology Company Limited (吉林省亞飛科技有限公司)*	A company controlled by the equity shareholders of the Company
Harbin Shengshi United Strength Petroleum Natural Gas Distribution Company Limited (哈爾濱盛世眾誠石油天然氣經銷有限公司)*	A company controlled by the equity shareholders of the Company
Heilongjiang Shengshi United Strength Vehicle Energy Development Company Limited (黑龍江盛世眾誠汽車能源發展有限公司)*	A company controlled by the equity shareholders of the Company
Mr Zhao Jinmin (趙金岷)	One of the equity shareholders of the Company
Mr Meng Xiange (孟憲革)	A key management personnel of the Group

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

(b) *Transactions with related parties during the Track Record Period*

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

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of goods	3,555	3,637	2,369	578	530
Purchases of goods	48,909	76,235	23,809	5,630	2,151
Transportation and other services received	21,362	21,106	20,027	6,637	1,655
Rental income from operating leases	—	—	2,359	591	591
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party (Note 5)	350	913	1,100	275	275
Operating lease charges	256	582	1,992	513	99
Entrustment fee in connection with gas refuelling stations entrusted from a related party	1,550	1,638	1,350	351	326
Carrying amount of property, plant and equipment disposed of	—	5,861	—	—	—
Carrying amount of property, plant and equipment purchased from	—	—	—	—	2,069
(Decrease)/increase in net amounts due from related parties	(32,252)	24,028	27,074	16,626	(72,369)
Distribution	—	3,580	—	—	—
Pledged of equity interests and/or guarantees provided for the Group's bank loans at the end of the reporting period (Note 19)	<u>30,000</u>	<u>20,000</u>	<u>15,000</u>	<u>20,000</u>	<u>—</u>

The directors of the Company expect the above transactions in the form of (i) sales of goods; (ii) transportation and other services received; (iii) entrustment fee in connection with petroleum refuelling stations entrusted to a related party; and (iv) entrustment fee in connection with gas refuelling stations entrusted from a related party, to be continued after the listing of the Company's shares on the Stock Exchange.

(ii) *Transactions with key management personnel of the Group*

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Increase in an amount due from a related party	—	—	2,000	—	—

(c) *Balances with related parties*

The Group's balances with related parties as at the end of each reporting period are as follows:

(i) Balances with the equity shareholders of the Company and companies controlled by the equity shareholders of the Company

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature:				
Trade receivables (Note 16)	53	—	—	61
Prepayments, deposits and other receivables (Note 17(a))	8,439	6,526	5,994	4,730
Trade payables (Note 20)	(1,421)	(59)	(289)	(579)
Accrued expenses and other payables (Note 21)	(3,930)	—	—	—
Non-trade in nature:				
Amounts due from related parties	—	17,838	47,098	—
Accrued expenses and other payables (Note 21)	—	(1,000)	—	—
Amounts due to related parties	(9,184)	(3,719)	(8,319)	(31,641)

(ii) Balance with key management personnel of the Group

	At 31 December			At 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade in nature:				
An amount due from a related party	—	—	2,000	—

All of the amounts due from and to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Mr Zhao Jinmin has undertaken to repay the amounts due to the Group that are non-trade in nature prior to the listing of the Company's shares on the Stock Exchange. Vice versa, the Group has undertaken to settle the amounts due to related parties that are non-trade in nature prior to the listing of the Company's shares on the Stock Exchange.

(d) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	424	438	749	169	180
Contributions to defined contribution retirement scheme	26	39	47	11	18
	<u>450</u>	<u>477</u>	<u>796</u>	<u>180</u>	<u>198</u>

Total remuneration is included in "staff costs" in Note 6(b).

27 Acquisitions of businesses

In October 2014 and December 2014 (the “Acquisition Dates”), the equity shareholders of the Company and Changchun Yitonghe, a company owned by the equity shareholders of the Company, acquired the 100% equity interests in Changchun Sinogas and 51% equity interests in Jilin Clean Energy, respectively, from third parties (together, the “Acquisitions”).

The Acquisitions included the sale of natural gas to vehicular end-users by operating refuelling stations business currently managed by the Group and the Other Business. Of the total consideration of the Acquisitions of RMB29,350,000, RMB5,309,000 was allocated to the sale of natural gas to vehicular end-users by operating refuelling stations business and the Other Business based on the proportionate fair value of the net assets acquired on the Acquisition Dates.

For the period from the Acquisition Dates to 31 December 2014, the acquired sale of natural gas to vehicular end-users by operating refuelling stations business contributed revenue of RMB12,256,000 and net loss of RMB294,000 to the Group’s financial results for the year ended 31 December 2014. If the Acquisitions had occurred on 1 January 2014, management estimates that consolidated revenue would have been RMB323,919,000, and consolidated net profit for the year ended 31 December 2014 would have been RMB8,950,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the Acquisition Dates would have been the same if the Acquisitions had occurred on 1 January 2014.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the Acquisition Dates.

Identifiable net assets acquired by the Group

	<u>Pre-acquisition carrying amounts</u>	<u>Fair value adjustments</u>	<u>Recognised values on acquisition</u>
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (Note 11)	17,938	(9,774)	8,164
Deferred tax assets (Note 22(b))	298	2,444	2,742
Inventories	667	—	667
Trade receivables	1,469	—	1,469
Prepayments, deposits and other receivables	6,088	—	6,088
Cash and cash equivalents	8,335	—	8,335
Trade payables	(243)	—	(243)
Accrued expenses and other payables	<u>(18,694)</u>	<u>—</u>	<u>(18,694)</u>
 Total identifiable net assets acquired	 <u>15,858</u>	 <u>(7,330)</u>	 8,528
 Less: non-controlling interests			 <u>3,219</u>
 Fair value of identifiable net assets acquired and total consideration			 <u>5,309</u>
 Analysis of the net cash inflow of cash and cash equivalents in respect of the acquisitions of businesses by the Group			
Total consideration			5,309
Less: cash and cash equivalents acquired			8,335
cash consideration paid by related parties on the Group's behalf			<u>5,309</u>
			<u>(8,335)</u>

28 Acquisition of non-controlling interests

Pursuant to the equity transfer agreement entered into between Changchun Yitonghe, a company owned by the equity shareholders of the Company, and the then non-controlling equity holder of Jilin Dongkun Gas on 15 July 2015, Changchun Yitonghe acquired all of the remaining non-controlling interests in Jilin Dongkun Gas. The aggregate non-controlling interests acquired amounted to RMB11,282,000, and accordingly, the Group recognised a decrease in non-controlling interests of the same amount for the year ended 31 December 2015.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on 1 January 2017 and which have not been adopted in the Historical Financial Information. These include the following.

*Effective for accounting periods
beginning on or after*

Annual Improvements to IFRSs 2014—2016 cycle

- IFRS 1 First-time Adoption of International Financial Reporting Standards	
- IAS 28 Investments in Associates and Joint Ventures	1 January 2018
Amendments to IFRS 2, <i>Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendments to IFRS 4, <i>Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts</i>	1 January 2018
Amendments to IAS 40, <i>Transfers of investment property</i>	1 January 2018
IFRS 9, <i>Financial instruments</i>	1 January 2018
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
IFRIC 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019
IFRIC 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
IFRS 17, <i>Insurance contracts</i>	1 January 2021
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group is in the process of making its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transition approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes to the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 will replace the existing revenue recognition standards, including IAS 18, *Revenue* and IAS 11, *Construction contracts*.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

Sale of goods

For the sale of natural gas to vehicular end-users, revenue is currently recognised when the goods are delivered, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

The adoption of IFRS 15 is unlikely to have a significant impact on the Group's timing of revenue recognition.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented.

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

IFRS 16, Leases

As disclosed in Note 2(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group’s accounting as a lessee of leases for property, plant and equipment and land use rights which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 25(b), at 31 March 2017 the Group’s future minimum lease payments under non-cancellable operating leases amount to RMB19,469,000 for property, plant and equipment and land use rights, the majority of which is payable either between one and five years after the reporting date or in more than five years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

30 Subsequent events after the reporting period

Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 21 September 2017 as detailed in the section headed “Statutory and General Information” set out in the Prospectus, the directors of the Company were authorised to allot and issue a total of 175,875,000 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 21 September 2017 by way of capitalisation of the sum of HK\$17,587,500 standing to the credit of the share premium account of the Company, and these shares to be allotted and issued rank pari passu in all respects with the shares in issue.

31 Ultimate holding party

The directors of the Company consider the ultimate holding party of the Company at 31 March 2017 to be Mr Zhao Jinmin.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries comprising the Group in respect of any period subsequent to 31 March 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth below does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 March 2017 as if the Global Offering had taken place on 31 March 2017.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 March 2017 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2017⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB⁽³⁾</i>	<i>HK\$⁽⁴⁾</i>
Based on an Offer Price of HK\$2.18 per Share	82,662	84,697	167,359	0.71	0.85
Based on an Offer Price of HK\$2.78 per Share	82,662	113,304	195,966	0.84	1.00

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 31 March 2017 is compiled based on the consolidated statements of financial position included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated total equity attributable to equity shareholders of the Company as at 31 March 2017 of RMB82,662,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$2.18 and HK\$2.78 per Share, after deduction of the estimated underwriting fees and other related expenses payable by the Group subsequent to 31 March 2017 and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK\$1.0000 to RMB0.8384 prevailing on 19 September 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 234,502,000 Shares, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB0.8384 to HK\$1.0000 prevailing on 19 September 2017.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group’s pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF UNITED STRENGTH POWER HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of United Strength Power Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 March 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 29 September 2017 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “Global Offering”) on the Group’s financial position as at 31 March 2017 as if the Global Offering had taken place at 31 March 2017. As part of this process, information about the Group’s financial position as at 31 March 2017 has been extracted by the Directors from the Group’s historical financial information included in the Accountants’ Report as set out in Appendix I to the Prospectus.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

29 September 2017

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" specified in Appendix V to this prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted with effect from the Listing Date. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

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Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

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- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged.

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Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) *Retirement, appointment and removal*

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, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

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The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) ***Borrowing powers***

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) ***Qualification shares***

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) ***Indemnity to Directors***

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) **Alterations to constitutive documents**

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

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(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

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(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions - majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with the Article 2(i) below for further details.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

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Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to

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every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

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The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

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(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as

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his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

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(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

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(w) **Stock**

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) **Other provisions**

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. **VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days’ notice and not less than ten (10) clear business days’ notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

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(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

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(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

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A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 December 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 5 April 2017, and our principal place of business in Hong Kong is at Room 6636, 66th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. Mr. Lo Wai Kit (our Chief Financial Officer and Company Secretary) has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution comprises the Memorandum of Association and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

1.2 Changes in the share capital in our Company

(a) *Changes in the authorised and issued share capital*

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On 19 December 2016 (i.e. the date of its incorporation), one subscriber Share was allotted and issued, credited as fully paid up, to an officer of the registered agent of our Company, and such share was transferred to Golden Truth on the same date. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

- (i) on 16 March 2017, our Company allotted and issued 739 Shares, 150 Shares, 100 Shares and 10 Shares, for the aggregate subscription price of approximately HK\$22.8 million and credited as fully paid, to Golden Truth, Dynamic Fame, Heroic Year and Noble Praise, respectively;
- (ii) pursuant to the written resolutions passed by all our Shareholders on 21 September 2017, among others, the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$80,000,000 divided into 800,000,000 Shares of HK\$0.10 each by the creation of an additional of 796,200,000 Shares of HK\$0.10 each, each ranking *pari passu* with the Shares then in issue in all respects;
- (iii) on 21 September 2017, our Shareholders resolved that conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise an amount of HK\$17,587,500 standing to the credit of the share premium account of our Company by applying that sum

in paying up in full at par 130,147,500 Shares, 26,381,250 Shares, 17,587,500 Shares and 1,758,750 Shares for allotment and issue to Golden Truth, Dynamic Fame, Heroic Year and Noble Praise, respectively, whose names appeared in the register of members of our Company at close of business on 21 September 2017; and

- (iv) immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of options under the Share Option Scheme or the Over-allotment Option), 234,502,000 Shares will be issued fully paid or credited as fully paid, and 565,498,000 Shares will remain unissued.

See “History, reorganisation and development — Change in registered or issued capital and/or equity-holders of members of our Group — Change in issued capital and/or owners of our Company” in this prospectus for the details of changes in the share capital of our Company.

(b) Information as at the Latest Practicable Date and immediately after the Global Offering

The following is a description of the authorised share capital and the share capital of our Company in issue and to be issued as fully paid immediately prior to and following the completion of the Global Offering:

<i>Number</i>	<i>HK\$</i>
<i>Authorised share capital:</i>	
<u>800,000,000</u> Shares	<u>80,000,000</u>
<i>Issued and to be issued and fully paid or credited as fully paid:</i>	
1,000 Shares in issue as at the date of this prospectus	100
175,875,000 Shares to be issued pursuant to the Capitalisation Issue	17,587,500
<u>58,626,000</u> Shares to be issued pursuant to the Global Offering	<u>5,862,600</u>
<u>234,502,000</u> Total	<u>23,450,200</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued upon the exercise of options under the Share Option Scheme or the Over-allotment Option or of any Shares which may be issued or purchased by us pursuant to the Issuing Mandate and Repurchase Mandate granted to our Directors to issue or purchase Shares as described below.

Immediately following completion of the Global Offering and upon the exercise of the Over-allotment Option in full but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, it is expected that the share capital of our Company will be comprised of 234,502,000 Shares.

(c) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any shares of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since our incorporation up to the date of this prospectus.

1.3 Resolutions in writing of our Shareholders passed on 21 September 2017

Pursuant to the written resolutions passed by all of our Shareholders on 21 September 2017, among others:

- (a) our Company approved and adopted the Memorandum and the Articles in substitution for and to the exclusion of the then existing memorandum of association and articles of association of our Company with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$80,000,000 divided into 800,000,000 Shares of HK\$0.10 each by the creation of an additional of 796,200,000 Shares of HK\$0.10 each, each ranking *pari passu* with the Shares then in issue in all respects;
- (c) conditional on all the conditions set out in the section headed “Structure and conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled:
 - (i) the Global Offering and the grant of the Over-allotment Option (which shall be exercisable by the Sole Global Coordinator on behalf of the International Underwriters, and subject to the prior written consent of our Company) were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise HK\$17,587,500 standing to the credit of the share premium account of our Company by applying that sum in paying up in full 175,875,000 Shares for

allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 21 September 2017 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors were authorised to give effect to such capitalisation;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with unissued Shares in the capital of our Company and to make or grant offers, agreements and options which may require the exercise of such powers, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules, or under the Global Offering or the Capitalisation Issue, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme) and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules, with an aggregate number of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

1.4 Reorganisation

See “History, reorganisation and development — Reorganisation” in this prospectus for details of the Reorganisation in preparation for the Listing of our Shares on the Stock Exchange.

1.5 Information about our subsidiaries in PRC

Our Group has the following subsidiaries in PRC, a summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

	1. Changchun Sinogas	2. Jilin Clean Energy	3. Wuchang Gas	4. Hengtai Energy	5. Jilin Dongkun Gas
(i) Full name of company	Changchun Sinogas Company, Ltd. (長春中油潔能燃氣有限公司)	Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限公司)	Wuchang City Qinglian Gas Company Limited (五常市慶聯燃氣有限公司)	Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司)	Jilin Dongkun Gas Company Limited (吉林東昆燃氣有限公司)
(ii) Date of establishment	18 July 2005	19 September 2001	18 April 2006	12 August 2010	30 September 1999
(iii) Economic nature	Wholly foreign-owned enterprise	Limited liability company	Limited liability company	Limited liability company	Limited liability company
(iv) Registered holder(s)	United Strength HK	Changchun Sinogas (51%) Jilin Petroleum (49%)	Changchun Sinogas	Changchun Sinogas	Changchun Sinogas
(v) Registered capital fully paid up	RMB20 million	RMB8 million	RMB3 million	RMB5 million	Approximately RMB18.7 million
(vi) Term of operation (or, where applicable, its expiry date)	17 July 2025	18 September 2021	long term	11 August 2020	30 September 2049
(vii) Equity interest attributable to our Group	100%	51%	100%	100%	100%
	6. Jixi United Strength	7. Longjing United Strength	8. MHK Yujia Petrochemical	9. Yanbian United Strength	10. YB Xinyuan Natural Gas
(i) Full name of company	Jixi United Strength Vehicle Energy Investment Company Limited (雞西翠誠汽車能源投資有限公司)	Longjing United Strength Energy Development Company Limited (龍井翠誠能源發展有限公司)	Meihekou City Yujia Petrochemical Company Limited (梅河口市譽嘉石化有限公司)	Yanbian United Strength Energy Technology Development Company Limited (延邊翠誠能源技術開發有限公司)	Yanbian Xinyuan Natural Gas Sales Company Limited (延邊鑫源天然氣銷售有限公司)
(ii) Date of establishment	5 September 2013	16 July 2007	27 December 2011	14 July 2008	29 May 2013
(iii) Economic nature	Limited liability company	Limited liability company	Limited liability company	Limited liability company	Limited liability company
(iv) Registered holder(s)	Changchun Sinogas	Changchun Sinogas	Changchun Sinogas	Longjing United Strength (60%) Shao Wenyuan (40%)	Longjing United Strength
(v) Registered capital fully paid up	RMB5 million	RMB20 million	RMB10 million	RMB0.5 million	RMB5 million
(vi) Term of operation (or, where applicable, its expiry date)	long term	15 July 2027	26 December 2021	13 July 2018	31 May 2018
(vii) Equity interest attributable to our Group	100%	100%	100%	60%	100%

The scope of permitted business as recorded in the business licences of our respective PRC subsidiaries as at the Latest Practicable Date is set out below:

1. Changchun Sinogas
Clean energy development and utilisation, management of automobile gas refuelling station project, construction and operation of automobile gas refuelling station, manufacture of compressed natural gas for automobile (the above two items limited to operation by branches subject to obtaining relevant permission), wholesale of liquefied petroleum gas, transport of dangerous goods on roads (excluding items prohibited by law, regulations or the State Council; for the above items which are subject to approval, approval from relevant authorities must be obtained prior to operation)
2. Jilin Clean Energy
Technological development of natural gas and liquefied petroleum gas refuelling station, technical services, technical consultation, technical transfer; sales of complete set of equipment for gas refuelling station, complete set of equipment for gas for automobile, mechanical and electrical equipment, and instrument and meters, retail of natural gas and liquefied petroleum gas, and refined oil (limited to operation by branches subject to obtaining relevant permission) (for the above items which are subject to approval, approval from relevant authorities must be obtained prior to operation)
3. Wuchang Gas
Wholesale and retail of liquefied petroleum gas for civil use and automobile, installation and sales of liquefied petroleum gas apparatus for automobile (operation within the scope of qualification permit)
4. Hengtai Energy
Operation of natural gas refuelling station (only in Liaoyuan City). Retail of ethanol gasoline and diesel (limited to operation by branches) (for the above items which are subject to approval, approval from relevant authorities must be obtained prior to operation)
5. Jilin Dongkun Gas
Manufacture, installation and maintenance of gas liquefier and accessories of automobiles; installation of gas tank filling facilities and technical service, apparatus for gas for civil use and liquefied gas filling, natural gas refuelling service for automobile and rental of natural gas refuelling apparatus

6. Jixi United Strength Investment in automotive energy, retail of natural gas for automobile (for the above items which are subject to approval, subject to the approval from relevant authorities which needs to be obtained prior to operation)
7. Longjing United Strength Research and development, production and processing of liquefied petroleum gas for automobile, distribution and supply of liquefied petroleum gas for civil use and automobile; distribution of compressed natural gas and liquefied natural gas for civil use and automobile; installation of liquefied petroleum gas tank for compact automobile; distribution of automobile parts; modification of equipment and distribution of apparatus accessories; sales of lubricants, antifreeze, groceries, food and beverages; sales of fuel for motor vehicles; sales of gas tank accessories; conducting tests for tanks for liquefied petroleum gas and natural gas for civil use and automobile (operation by branches); sales and purchase of agricultural products (for the above items which are subject to approval, subject to the approval from relevant authorities which needs to be obtained prior to operation)
8. MHK Yujia Petrochemical Sales of natural gas; retail of pre-packaged food and bulky food; retail of cigarettes and cigars (for the above items which are subject to approval, subject to the approval from relevant authorities which needs to be obtained prior to operation)
9. Yanbian United Strength Development of energy technology; leasing of property and free land; sales of hardware and electrical equipment and chemical products (excluding dangerous chemical products) (for the above items which are subject to approval, subject to the approval from relevant authorities which needs to be obtained prior to operation)
10. YB Xinyuan Natural Gas Processing of natural gas; advance phase preparation of wholesale or retail projects (prohibited from engaging in manufacturing operation activities before obtaining permit or approval documents) (for the above items which are subject to approval, subject to the approval from relevant authorities which needs to be obtained prior to operation)

1.6 Changes in the share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Apart from the alterations disclosed in paragraph 1.4 under this appendix and the section headed "History, reorganisation and development — Change in registered or issued capital and/or equity holders of members of our Group" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

1.7 Repurchases by our Company of our own securities

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Trading Restrictions*

The total number of shares which our Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. Our Company may not issue or announce a proposed issue of new securities for a period of 30 days

immediately following a repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, our Company is prohibited from repurchasing our Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange. The Listing Rules also prohibit our Company from repurchasing our securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchase*

Our Company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, we may not repurchase our Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Core connected persons*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (which includes a Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate of any of them) and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) *Funding of repurchases and impact on working capital or gearing position*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 234,502,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, could accordingly result in up to approximately 23,450,200 Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law to be held; or
- (iii) the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement (in Chinese) dated 20 February 2017 entered into between United Strength HK and China Source BVI, pursuant to which United Strength HK acquired 100% equity interest in Changchun Sinogas from China Source BVI for a consideration of RMB20 million;
- (b) an equity transfer agreement (in Chinese) dated 14 March 2017 entered into between Changchun Sinogas and Changchun Yitonghe, pursuant to which Changchun Sinogas acquired 51% equity interest in Jilin Clean Energy from Changchun Yitonghe for a consideration of RMB4.08 million;
- (c) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Changchun Sinogas and Changchun Yitonghe, pursuant to which Changchun Sinogas acquired 100% equity interest in Wuchang Gas from Changchun Yitonghe for a consideration of RMB3 million;

- (d) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Changchun Sinogas and Changchun Yitonghe, pursuant to which Changchun Sinogas acquired 100% equity interest in Hengtai Energy from Changchun Yitonghe for a consideration of RMB5 million;
- (e) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Changchun Sinogas and Changchun Yitonghe, pursuant to which Changchun Sinogas acquired 100% equity interest in Jilin Dongkun Gas from Changchun Yitonghe for a consideration of approximately RMB18.7 million;
- (f) an equity transfer agreement (in Chinese) dated 13 March 2017 entered into between Changchun Sinogas and HLJ Shengshi Energy, pursuant to which Changchun Sinogas acquired 100% equity interest in Jixi United Strength from HLJ Shengshi Energy for a consideration of RMB5 million;
- (g) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Changchun Sinogas and Changchun Yitonghe, pursuant to which Changchun Sinogas acquired 90% equity interest in Longjing United Strength from Changchun Yitonghe for a consideration of RMB18 million;
- (h) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Changchun Sinogas and Yin Naixun (殷乃勛), pursuant to which Changchun Sinogas acquired 5% equity interest in Longjing United Strength from Yin Naixun for a consideration of RMB1 million;
- (i) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Changchun Sinogas and Meng Hao (孟昊), pursuant to which Changchun Sinogas acquired 5% equity interest in Longjing United Strength from Meng Hao for a consideration of RMB1 million;
- (j) an equity transfer agreement (in Chinese) dated 28 December 2016 entered into between Changchun Sinogas, Bai Yunlei (白雲雷), Peng Fushan (彭福山) and Zhang Lu (張輅), pursuant to which Changchun Sinogas acquired an aggregate of 100% equity interest in MHK Yujia Petrochemical from Bai Yunlei, Peng Fushan and Zhang Lu for a total consideration of RMB0.9 million;
- (k) an equity transfer agreement (in Chinese) dated 24 October 2016 entered into between Longjing United Strength and Xue Beihai (薛備海), pursuant to which Longjing United Strength acquired 61% equity interest in YB Xinyuan Natural Gas from Xue Beihai;
- (l) an equity transfer agreement (in Chinese) dated 24 October 2016 entered into between Longjing United Strength and Liu Zhenyou (劉真有), pursuant to which Longjing United Strength acquired 21% equity interest in YB Xinyuan Natural Gas from Liu Zhenyou;
- (m) an equity transfer agreement (in Chinese) dated 24 October 2016 entered into between Longjing United Strength and Liu Guilán (劉桂蘭), pursuant to which Longjing United Strength acquired 18% equity interest in YB Xinyuan Natural Gas from Liu Guilán;

- (n) an asset transfer agreement (in Chinese) dated 2 December 2016 entered into between Changchun Sinogas and Changchun Huize Gas Company Limited (長春匯澤燃氣有限公司), pursuant to which Changchun Huize Gas Company Limited acquired certain assets of Nong'an Mother Station from Changchun Sinogas for a consideration of approximately RMB9 million;
- (o) a transportation asset transfer agreement (in Chinese) dated 15 December 2016 entered into between Changchun Sinogas and Erdao District Power Equipment Liquefied Gas Station (二道區發電設備液化氣站), pursuant to which Erdao District Power Equipment Liquefied Gas Station acquired certain transportation assets of Nong'an Mother Station from Changchun Sinogas for a consideration of approximately RMB0.3 million;
- (p) a transportation asset transfer agreement (in Chinese) dated 15 December 2016 entered into between Changchun Sinogas and Changchun City Dingqing Trading Company Limited (長春市鼎慶經貿有限責任公司), pursuant to which Changchun City Dingqing Trading Company Limited acquired certain transportation assets of Nong'an Mother Station from Changchun Sinogas for a consideration of RMB22,000;
- (q) an equity transfer agreement (in Chinese) dated 30 December 2016 entered into between Jilin Dongkun Gas and Beijing Zhidekai Investment Company Limited (北京智德凱投資有限公司), pursuant to which Beijing Zhidekai Investment Company Limited acquired approximately 61.32% equity interest in Jilin Province Jiahong Energy Development Company Limited (吉林省嘉鴻能源開發有限公司) from Jilin Dongkun Gas for a consideration of RMB16 million;
- (r) an equity transfer agreement (in Chinese) dated 24 October 2016 entered into between Longjing United Strength and Xue Beihai (薛備海), pursuant to which Longjing United Strength acquired 60% equity interest in Yanbian Xinyuan Refined Oil Distribution Company Limited (延邊鑫源成品油經銷有限公司) (“**YB Xinyuan Oil**”) from Xue Beihai;
- (s) an equity transfer agreement (in Chinese) dated 24 October 2016 entered into between Longjing United Strength and Liu Guilan (劉桂蘭), pursuant to which Longjing United Strength acquired 40% equity interest in YB Xinyuan Oil from Liu Guilan;
- (t) an equity transfer agreement (in Chinese) dated 10 March 2017 entered into between Longjing United Strength and Changchun Yitonghe, pursuant to which Changchun Yitonghe acquired 100% equity interest in YB Xinyuan Oil from Longjing United Strength for a consideration of RMB2 million;
- (u) the Deed of Non-competition, brief details of which are set out in the section headed “Relationship with our Controlling Shareholders — Competition and conflict of interests” in this prospectus;
- (v) the Deed of Indemnity, brief details of which are set out in paragraph 4.1 under this appendix; and

(w) the Public Offer Underwriting Agreement.


2.2 Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered owner of the following trademarks:

Trademark	Place of registration	Registration number	Class	Validity period	Registered Owner
 眾誠能源控股有限公司 United Strength Power Holdings Limited	Hong Kong	304106600	4, 39	11 April 2017 - 10 April 2027	Our Company
 眾誠能源控股有限公司 United Strength Power Holdings Limited					
 眾誠能源 United Strength Power	Hong Kong	304106592	4, 39	11 April 2017 - 10 April 2027	Our Company
 眾誠能源 United Strength Power					
 眾誠	Hong Kong	304106583	4, 39	11 April 2017 - 10 April 2027	Our Company
 眾誠					
 眾誠能源	Hong Kong	304106574	4, 39	11 April 2017 - 10 April 2027	Our Company
 眾誠能源					
 眾誠連鎖	Hong Kong	304106619	4, 39	11 April 2017 - 10 April 2027	Our Company
 眾誠連鎖					

As at the Latest Practicable Date, we have entered into the Trademark Licence Agreement with United Strength Vehicle Service on 23 January 2017, pursuant to which United Strength Vehicle Service agreed to grant to Changchun Sinogas and its subsidiaries, whether directly or indirectly owned, and their respective subsidiaries the non-exclusive right to use in the PRC the following trademark with retrospective effect from 21 November 2013 to 20 November 2023 for nil consideration:

Trademark	Place of registration	Registration number	Class	Validity period	Registered Owner
	PRC	3139984	37	21 November 2003 - 20 November 2023	United Strength Vehicle Service

(b) *Trade name*

We have entered into the Trade Name Licence Agreement with United Strength Vehicle Service on 16 March 2017, pursuant to which United Strength Vehicle Service agreed to grant to Changchun Sinogas and its subsidiaries, whether directly or indirectly owned, and their respective subsidiaries the non-exclusive right to use in the PRC the trade name of “眾誠連鎖” with retrospective effect from 21 November 2013 to 20 November 2023 for nil consideration.

(c) *Patents*

As at the Latest Practicable Date, our Group (together with a senior management member of some of our subsidiaries) were registered proprietors of the following patents (whose places of registration are all in the PRC) which are material to our business:

<u>Patent</u>	<u>Registered Owner</u>	<u>Type</u>	<u>Registration number</u>	<u>Duration of validity</u>
Equipment for production of liquefied petroleum gases (with low propane content and high olefin content) for automobiles with low propane content (一種低含丙烷、高含烯烴的車用液化石油氣制備設備)	Longjing United Strength, Mr. Yin Naixun	Utility model	ZL200820071774.3	25 April 2008 — 24 April 2018
Liquefied petroleum gases (with low propane content and high olefin content) for automobiles, production equipment and relevant process (一種低含丙烷、高含烯烴的車用液化石油氣及其制備設備和工藝)	Longjing United Strength, Mr. Yin Naixun	Invention patent	ZL200810050653.5	25 April 2008 — 24 April 2018

(d) *Domain Name*

As at the Latest Practicable Date, Changchun Sinogas had registered the following domain name:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiration date</u>	<u>Place of registration</u>
1	united-strength.com	Changchun Sinogas	12 January 2017	12 January 2027	PRC

(e) *Copyright*

Pursuant to the Software Copyright Agreement, Jilin Yafei Technology assigned the Transaction Recording Software Copyright to Changchun Sinogas. Accordingly, as at the Latest Practicable Date, we have registered the Transaction Recording Software Copyright as follows:

Copyright	Type	Registration number	Assignee	First development date	Right acquisition mode	Assignment Date	Scope of right	Place of assignment
Card-machine interlocking management system in oil (gas) refuelling station V1.02 (加油(氣)站卡機聯動管理系統V1.02)	Software copyright	2017SR432380	Changchun Sinogas	23 June 2017	Assignment	8 August 2017	Full rights	PRC

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of Interests

(a) *Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations*

As at the date of this prospectus and immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register kept by our Company referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Long Positions in Shares of our Company

Name of Director	Nature of interest/ Capacity	Relevant company (including associated corporations)	As at the date of this prospectus		Immediately after the Capitalisation Issue and the Global Offering	
			Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding	Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding
Mr. Zhao (Note 1)	Interest of controlled corporation	Our Company	740	74%	130,148,240	55.50%
Mr. Liu (Note 2)	Interest of controlled corporation	Our Company	100	10%	17,587,600	7.50%
Mr. QG Wang (Note 3)	Interest of controlled corporation	Our Company	10	1%	1,758,760	0.75%

Notes:

- (1) The said Shares were held in the name of Golden Truth. Golden Truth is wholly owned by Mr. Zhao, our Chairman and an executive Director. By virtue of the SFO, Mr. Zhao is deemed to be interested in the same parcel of Shares in which Golden Truth is interested.

- (2) The said Shares were held in the name of Heroic Year. Heroic Year is wholly owned by Mr. Liu, an executive Director. By virtue of the SFO, Mr. Liu is deemed to be interested in the same parcel of Shares in which Heroic Year is interested.
- (3) The said Shares were held in the name of Noble Praise. Noble Praise is wholly owned by Mr. QG Wang, an executive Director. By virtue of the SFO, Mr. QG Wang is deemed to be interested in the same parcel of Shares in which Noble Praise is interested.

(b) *Interests of our Substantial Shareholders*

So far as is known to any Director or chief executive of our Company as at the date of this prospectus, and immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long Positions in Shares of our Company

Name of Shareholder	Nature of interest/ Capacity	As at the date of this prospectus		Immediately after the Capitalisation Issue and the Global Offering	
		Number of Shares	Approximate percentage of shareholding in our Company	Number of Shares	Approximate percentage of shareholding in our Company
Golden Truth (<i>Note 1</i>)	Beneficial owner	740	74%	130,148,240	55.50%
Dynamic Fame (<i>Note 2</i>)	Beneficial owner	150	15%	26,381,400	11.25%
Ms. Xu (<i>Note 2</i>)	Interest of controlled corporation	150	15%	26,381,400	11.25%
Heroic Year (<i>Note 3</i>)	Beneficial owner	100	10%	17,587,600	7.50%

Notes:

- (1) Golden Truth is wholly owned by Mr. Zhao, an executive Director and Chairman.
- (2) Dynamic Fame is wholly owned by Ms. Xu. By virtue of the SFO, Ms. Xu is deemed to be interested in the same parcel of Shares in which Dynamic Fame is interested.
- (3) Heroic Year is wholly owned by Mr. Liu, an executive Director.

In addition to the above and so far as our Directors are aware, immediately following the completion of the Global Offering, the following person is directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

Name of our subsidiary	Substantial shareholder of such subsidiary	Approximate percentage of shareholding
Jilin Clean Energy	Jilin Petroleum	49%
Yanbian United Strength	Mr. Shao Wenyan	40%

3.2 Directors' service contracts and letters of appointment

Executive Directors

Each of our executive Directors (namely, Mr. Zhao, Mr. Liu, Mr. QG Wang and Mr. Xu) has entered into a service contract with our Company pursuant to which he agreed to act as an executive Director for an initial term of three years with effect from 1 April 2017.

Each of our executive Directors is entitled to a basic salary set out below. In addition, our executive Directors are also entitled to a discretionary management bonus taking into consideration the financial performance of our Group and the relevant Director's individual contribution to our Group for the financial year concerned, provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors is as follows:

Name	Annual salary (HK\$)
Mr. Zhao	360,000
Mr. Liu	360,000
Mr. QG Wang	360,000
Mr. Xu	1,950,000

INEDs

Each of the INEDs has entered into a letter of appointment with our Company pursuant to which he/she has been appointed for an initial term of three years commencing from 1 September 2017. Each of our INEDs is entitled to a director's fee of HK\$300,000 per annum. Save for Directors' fees, none of our INEDs is expected to receive any other remuneration for holding their office as an INED.

3.3 Directors' remuneration

- (a) The aggregate emoluments paid to our Directors by our Group in respect of the Track Record Period were nil, nil, nil and nil respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the INEDs in their respective capacity as Directors) for the year ending 31 December 2017 will be approximately RMB2.4 million.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period.

3.4 Disclaimers

- (a) Save as disclosed in paragraph 3.1(a) under this appendix, none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register kept by our Company referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, as at the date of this prospectus and once the Shares are listed on the Stock Exchange;
- (b) save as disclosed in paragraph 3.1(b) under this appendix, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group as at the date of this prospectus and once the Shares are listed on the Stock Exchange;
- (c) save as disclosed in the sections headed "History, reorganisation and development" and "Connected transactions" in this prospectus, none of our Directors nor any of the persons listed in paragraph 4.7 below of this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) save as disclosed in the sections headed “History, reorganisation and development — Reorganisation”, “Connected transactions” and “Relationship with our Controlling Shareholders” in this prospectus, none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the persons listed in paragraph 4.7 under of this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the paragraph 4.7 below of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (g) save as disclosed in paragraph 3.2 under this appendix, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (h) save as disclosed in the sections headed “Business — Customers” and “Business — Raw materials and our suppliers” in this prospectus, so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of the number of issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group during the Track Record Period; and
- (i) saved as disclosed in the section headed “Relationship with our Controlling Shareholders”, none of our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

3.5 Share Option Scheme

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing of our Shareholders passed on 21 September 2017:

(i) *Purpose of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given

that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) *Who may join*

Our Directors may at any time within a period of ten years commencing from the date of adoption of the Share Option Scheme, at its absolute discretion, in accordance with the provisions of the Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants (“**Eligible Participant**”), to take up options to subscribe for Shares:

- (aa) any employee (“**Eligible Employee**”) (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;
- (bb) any non-executive directors (including INEDs) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of the Shares available for subscription*

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (“**General Scheme Limit**”) (such 10% being 23,450,200 Shares, assuming that the Over-allotment Option is not exercised).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders, containing the information required under the Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to our Directors, chief executive or Substantial Shareholders of our Company or their respective associates*

- (aa) Any offer for the grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by INEDs (excluding INED who or whose associates is the proposed grantee of the options).
- (bb) Where any grant of options to a Substantial Shareholder or an INED or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, containing such information are required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

Any change in the terms of options granted to a Substantial Shareholder or an INED or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period (“**Option Period**”) may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant of the option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of the offer for the grant of the option; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of the Shares*

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the then fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in the context of the Share Option Scheme include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reconstruction of the share capital of our Company from time to time.

(x) *Restrictions on the time of the offer for the grant of options*

No offer for grant of options shall be made after inside information has come to our Company’s knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement (covering any period of delay in publishing the results announcement), no offer for the grant of options may be made.

Our Directors may not make any offer for the grant of options to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years (“**Termination Date**”) commencing on the date on which the Share Option Scheme is adopted.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of the Share Option Scheme within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the

provisions of the Share Option Scheme within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If in respect of a grantee other than an Eligible Employee, our Directors shall at their absolute discretion determine that (aa) (1) the grantee or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(xvi) Rights on a general offer or a scheme of arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders of our Company, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares comprised in an option or which remains comprised in an Option or to which the Share Option Scheme or any option(s) relates (so far as unexercised) and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital of our Company to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iv) notwithstanding (i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the

supplementary guidance on Rule 17.03(13) of the Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September 2005; and (v) any adjustment must be made in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Subject to the provisions of the Share Options Scheme and Chapter 17 of the Listing Rules, any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant subparagraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

(xxiii) Lapse of option

The Option Period in respect of any option shall terminate automatically and that an option (to the extent not already exercised) shall lapse automatically on the earliest of:

- (aa) the expiry of the Option Period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) *Miscellaneous*

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (bb) Provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "grantee", "Option Period" and "Termination Date" and the terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the prior approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) ***Present status of the Share Option Scheme***

(i) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) *Grant of options*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iii) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(iv) *Compliance with Listing Rules*

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

4. OTHER INFORMATION

4.1 Estate duty, tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (v) referred to in paragraph 2.1 under this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any relevant transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and
- (b) tax liabilities (including all actual fines, penalties, liabilities, costs, charges, expenses and interests relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains earned, accrued, received on or before the date of Listing, or any transactions, events, matters or things entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 March 2017 (“**Accounts Date**”); or

- (b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods commencing on the calendar day immediately after the Accounts Date and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before the Accounts Date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of PRC, or any other relevant authority (whether in Hong Kong or PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or the extent such a claim or liability arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the Accounts Date which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to jointly and severally indemnify each member of our Group against any costs and expenses arising from any depletion in or reduction in value of assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which such member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the Deed of Indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group, among other indemnities against:

- (a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may incur, suffer, accrue, directly or indirectly, from any act of any member of our Group arising from or in connection with any non-compliance of any member of our Group on or before the date of Listing, including but not limited to the non-compliances as disclosed in this prospectus or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of our Group which was issued, accrued and/or arising from any act of any of any member of our Group at any time on or before the date of Listing;
- (b) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such member of our Group may suffer in connection with such penalty,

due to such member's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, or to observe any laws, regulations or rules in the PRC in this regard;

- (c) any loss, liability, damages, claims, fines, penalties, orders, expenses and costs or loss of profits, benefits or other commercial advantages suffered by any member of our Group as a result of or in connection with:
 - (i) the title of any of the properties owned by, leased to or otherwise occupied by the members of our Group in the PRC (“**PRC Properties**”) not being good and/or marketable or being subject to encumbrances (including without limitation the absence of building ownership certificate(s) of any of the PRC Properties as at the Listing Date);
 - (ii) the relocation of any office and/or refuelling stations on the PRC Properties by such member of our Group arising from or in connection with the lack of relevant title certificates or documents by any member of our Group or the lessor or, if applicable the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member;
 - (iii) such member's failure to obtain the relevant building ownership certificates and/or other title certificates of any of the PRC Properties (including but not limited to relocation costs, operating losses, penalties and rental difference between new lease and the existing ones incurred or suffered by any member of our Group as a result of any disputes as to the member's rights to lease and/or use any of the properties for its business operations);
 - (iv) (aa) any actual or potential litigation, claim, action, prosecution, arbitration, mediation, alternative dispute resolution or other similar proceedings and/or (bb) any dispute with any person(s) relating to any of the events referred to in paragraphs (i) to (iii) above.

The indemnity given in connection with paragraphs (a) and (b) above and other non-compliance incidents provided in the Deed of Indemnity shall not apply to any costs and expenses associated with any of the claims for such non-compliances to the extent of any provision being made in the financial statements of the relevant member of our Group up to the Accounts Date.

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in the section headed “Structure and conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of Indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or BVI is likely to fall on our Group.

4.2 Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and any Shares which may be issued upon the exercise of options under the Share Option Scheme and the Over-allotment Option.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company agreed to pay the Sole Sponsor a fee of approximately HK\$6.3 million to act as the sole sponsor to our Company in relation to the Global Offering.

4.3 Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

4.4 Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$43,000 and are payable by our Company.

4.5 Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

4.6 Agency fees or commissions received

Except as disclosed in the section headed “Underwriting — Underwriting Arrangements and Expenses — Commission and expenses” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital and/or debenture of any member of our Group within the two years immediately preceding the date of this prospectus.

4.7 Qualification of experts

The qualifications of the experts who have given opinion and/or whose names are included in this prospectus are as follows:

Name	Qualifications
GF Capital (Hong Kong) Limited	A corporation licenced under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activity
KPMG	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Qualified PRC lawyers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultants

4.8 Consents of experts

Each of the experts referred to in paragraph 4.7 under this appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or legal opinion (as the case may be) and reference to its name included in the form and context in which it is respectively appears.

4.9 Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the COWUMPO insofar as applicable.

4.10 Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) *Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

4.11 Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash, save as disclosed in the section headed “History, reorganisation and development” in this prospectus;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option other than pursuant to the Share Option Scheme;
- (iii) neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures;
- (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
- (v) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (vi) our Company has no outstanding convertible debt securities.

(b) Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(c) Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up).

- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name by our Company does not contravene the Companies Law.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

4.12 Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE, YELLOW** and **GREEN** application forms, the written consents referred to in paragraph 4.8 under “Appendix IV — Statutory and general information” to this prospectus, and certified copies of the material contracts referred to in paragraph 2.1 under Appendix IV — Statutory and general information to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 40/F, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report received from KPMG, on the historical financial information of our Group for each of the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group received from KPMG, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the legal opinion prepared by Commerce & Finance Law Offices in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;
- (h) the industry research report prepared by Frost & Sullivan;
- (i) the material contracts referred to in paragraph 2.1 under “Appendix IV — Statutory and general information” to this prospectus;
- (j) the written consents referred to in paragraph 4.8 under “Appendix IV — Statutory and general information” to this prospectus;

- (k) the rules of the Share Option Scheme; and

- (l) the service contracts and appointment letters referred to in paragraph 3.2 under “Appendix IV — Statutory and general information” to this prospectus.



United Strength Power Holdings Limited
眾 誠 能 源 控 股 有 限 公 司