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

ANNUAL REPORT 2017

CONTENT

CORPORATE INFORMATION

(as at 25 April 2018)

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin *(Chairman)*
Mr. Liu Yingwu
Mr. Wang Qingguo
Mr. Xu Huilin *(Chief Executive Officer)*

Independent Non-Executive Directors

Ms. Su Dan
Mr. Yu Chen
Mr. Lau Ying Kit

COMPANY SECRETARY

Mr. Lo Wai Kit, *ACCA, FCPA, CFA*

AUTHORIZED REPRESENTATIVES

Mr. Xu Huilin
Mr. Lo Wai Kit

MEMBERS OF AUDIT COMMITTEE

Mr. Lau Ying Kit *(Chairman)*
Ms. Su Dan
Mr. Yu Chen

MEMBERS OF REMUNERATION COMMITTEE

Mr. Yu Chen *(Chairman)*
Mr. Liu Yingwu
Ms. Su Dan

MEMBERS OF NOMINATION COMMITTEE

Ms. Su Dan *(Chairman)*
Mr. Xu Huilin
Mr. Yu Chen

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 2101, Unit 1
Block 23, Zone G
Solana 2, Erdao District
Changchun,
Jilin Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 6636, 66th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Wing Lung Bank Limited
China Construction Bank
Industrial and Commercial Bank of China

HONG KONG LEGAL ADVISER

P. C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISER

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

STOCK CODE

2337

COMPANY WEBSITE

www.united-strength.com

CONTACT DETAILS

Phone: (852) 3965 3260
Fax: (852) 3965 3261

FINANCIAL HIGHLIGHTS

	Notes	2017 RMB'000	2016 RMB'000
Revenue		**215,411**	274,605
Gross profit		**80,106**	86,998
Profit for the year		**8,525**	34,626
Profit attributable to equity shareholders of the Company		**7,435**	34,186
Gross profit margin		**37%**	32%
Earnings per share			
— Basic & Diluted (RMB cents)		**3.95**	19.44
Total assets		**261,371**	205,409
Net assets		**215,158**	142,653
Liquidity and Gearing			
Current ratio	*1*	**4.27**	1.69
Quick ratio	*2*	**4.23**	1.66
Gearing ratio	*3*	**18%**	31%

Notes:

1. *Current ratio is calculated as the total current assets divided by the total current liabilities as at the end of the year.*
2. *Quick ratio is calculated as the total current assets less inventories divided by the total current liabilities as at the end of the year.*
3. *Gearing ratio is calculated as the total liabilities divided by total assets as at the end of the year.*

CHAIRMAN'S STATEMENT

Zhao Jinmin *Chairman*

Dear Shareholders,

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (hereinafter referred to as "**United Strength Power**", "**the Company**" or "**our Company**"), hereby present the annual business results of our Company and its subsidiaries (hereinafter collectively referred to as "**our Group**", "**we**" or "**us**") for the year ended 31 December 2017 (hereinafter referred to as the "**Reporting Period**").

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Benefiting from national policies in support of the development of the natural gas business, the compressed natural gas ("CNG") refuelling station market grew rapidly. During the year, our Group proactively enhanced its marketing and promotion strategies, improved service quality and expanded its network of CNG refuelling stations, with a view to sharpening its competitive strengths.

Looking back on year 2017, China's annual GDP was RMB82.7 trillion in aggregate, representing a year-on-year growth of 6.9% and reflecting a positively stable economy with an ever-increasing demand for energy. In recent years, the haze issue has become increasingly severe, and the authorities have launched proactive policies for reducing carbon emissions and improving air quality. Compared with coal and petroleum, natural gas is a premium energy source characterised by its efficiency and cleanliness. In its 13th Five Year Plan on Natural Gas Development (《天然氣發展「十三五」規劃》), the country proposed augmenting its efforts to drive the development of the natural gas industry. In 2017, with the country's natural gas consumption amounting to 235.2 billion m^3, the national natural gas market exhibited an explosive growth, maintaining its strong figures in terms of both pace of growth and increment value.

During the year, the Chinese government 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》) expressly stated that the "Oil to Gas" project (「油改氣」工程) for transportation vehicles should be a key focus of the government. Besides, the State Administration of Taxation of the PRC (國家稅務總局) 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 value-added tax of natural gas business from 13% to 11%, in order to encourage the entry of civilian-run enterprises into the vehicle natural gas market. Although natural gas vehicles were still in the development stage in Jilin Province, they had been growing continuously both in absolute terms and as a percentage of the aggregate number of vehicles. This, coupled with their stability and ever-improving quality, had bolstered consumers' confidence in natural gas vehicles. Their increasing popularity indicates a continuous growth in the demand for natural gas vehicle refuelling services, bringing about opportunities for the natural gas vehicle refuelling station market. Benefitting from the favourable national policies, our Group recorded a net income of RMB8.5 million for the current year, with a positively stable share price performance.

Over the past few years, Jilin Province's vehicle refuelling station market had grown rapidly, with the emergence of a multitude of market competitors. In order to enhance its competitiveness, our Group proactively expanded its market share and, on 22 December 2017, entered into entrusted operation management agreements with five different entrusting parties, which has strengthened our Group's network of CNG refuelling stations.

Our Group gained an in-depth understanding of market needs and made constant adjustments to its marketing strategies. In order to enhance its brand recognition and establish a solid customer base, our Group enhanced its marketing and promotion strategies. It made targeted marketing and promotion efforts under its multi-channel advertising strategy and, in addition to displaying promotional materials at its refuelling stations, stepped up its promotional campaigns on social media. These were coupled with the promotion of our membership programme, under which members were offered various discounts and concessions that served to foster customers' loyalty to our brand.

As vehicular natural gas is a relatively homogenous product, service quality and safety record are crucial to consolidating our market share. In order to differentiate ourselves from peer competitors, our Group was dedicated to improving customer experience by offering various complimentary gifts and revamping the ancillary facilities at our CNG refuelling stations, such that our customers could make best use of the time they spent at our stations, thereby enhancing their level of satisfaction with our brand.

On 19 January 2018, our Group's wholly-owned subsidiary Changchun Sinogas Company, Ltd. (長春中油潔能燃氣有限公司) ("Changchun Sinogas") entered into a sale and purchase agreement with Changchun Yitonghe Petroleum Distribution Company Limited (長春伊通河石油經銷有限公司) ("Changchun Yitonghe") to acquire the entire equity interests in Jilin Province Jieli Logistics Company Limited (吉林省捷利物流有限公司) ("Jieli Logistics") from Changchun Yitonghe at a consideration of RMB15,250,549, after completion of which Jieli Logistics had become an indirect wholly-owned subsidiary of our Company. It is expected that the Group could support its own demand for safe and stable gas transportation service in a cost-efficient manner and generate new and stable revenue streams from the provision of petroleum transportation service.

FUTURE PROSPECTS

The rapid development of China's economy means that its demand for energy will continue to rise. This, coupled with the authorities' elevated requirements relating to environmental protection standards as well as the increasing popularity of CNG, leads to the anticipation that CNG sales volume will grow continuously. Despite the many new entrants into the natural gas industry which have intended to compete for market presence and which have posed certain challenges to our Group, we, as one of the pioneering natural gas refuelling station operators, do have particular competitive strengths especially in view of our operations in Jilin Province that have spanned over a decade. Our Group was designated as a 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, we primarily procured our raw materials from suppliers which could provide gas quality test reports and assessed the reliability of our suppliers by conducting market research, so as to ensure the safety and quality of our Group's services and strengthen customers' trust in our brand.

The year 2017 represented one of our Group's milestones. Going forward, leveraging on the opportunities presented by our successful listing, we will capture the benefits of the growing demand for vehicle natural gas in China, make good use of our management team's extensive experience and knowledge in the oil and gas industry, examine further possibilities in line with the government's policies, explore other business opportunities offered by the energy sector, bolster our position in Jilin Province's CNG refuelling station market, offer safe and quality-guaranteed services to our customers, and seek to generate attractive returns for our shareholders.

In 2018, we will continue to (i) expand our CNG refuelling station network in Jilin Province through acquisition and entrustment arrangement; (ii) strengthen our marketing and promotion strategies; and (iii) enhance our service quality and safety performance in order to strengthen our position as a leading vehicle CNG refuelling station operator in Jilin Province.

APPRECIATION

In a market environment surrounded by opportunities and challenges, our diligent staff represent a valuable asset for the Group. The Board would like to express its sincere gratitude to the management of the Group and to all members of staff for their hard work and dedication, and to its shareholders, business partners, bankers and auditors for their support and trust throughout the year.

Zhao Jinmin
Chairman

Hong Kong

26 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

As the global efforts for developing a low-carbon economy escalate gradually, the status of natural gas has been continuously enhanced as a component of primary energy consumption, while the cleanliness and high calorific value of such energy source receive increasingly wide attention. In recent years, the global natural gas production volume has been showing year-on-year increases, and many organisations have forecast that by around 2030, natural gas will have surpassed coal to become the second largest energy source in the world. As of the end of December 2017, the global reserves-to-production ratio of natural gas was 52.5, and China was among the ten countries with the largest reserves.

In 2017, China's economy was positively stable, showing a gradual increase in the national demand for energy consumption. Besides, the country raised its requirements relating to environmental protection standards, and proactively exploited clean energy with a view to gradually replacing coal and crude oil with natural gas, thereby improving the quality of the atmosphere and realising a green, low-carbon development. In its 13th Five Year Plan on Natural Gas Development (《天然氣發展「十三五」規劃》), the country proposed an accelerated development of the natural gas industry and that the proportion of natural gas within primary energy consumption be augmented to 10%. In 2017, the country's natural gas consumption amounted to 235.2 billion m^3, representing a year-on-year growth of 17% or more than 34 billion m^3. This sets a new increment record for China's natural gas consumption.

Currently, the application of natural gas in Jilin Province's transportation sector mainly relates to urban public transportation (taxis and buses), heavy trucks (urban logistics vehicles, sanitation vehicles, and logistics and transportation trucks), and intercity coaches. Currently, the province is proactively fostering the application of natural gas in the transportation sector, with proactive promotion of the use of "green" means of transportation such as LNG and CNG vehicles, and the expansion of the scale of natural gas utilisation in the transportation sector. The authorities will adjust the relevant policy requirements restraining the development of vehicular natural gas as soon as possible, and encourage and support the conversion of taxis, buses, logistics and transportation trucks, and other social vehicles to natural gas-fuelled vehicles. The planning and construction of ancillary infrastructure such as natural gas refuelling stations will also be accelerated. Should the policy restricting the "Oil to Gas" conversion of social vehicles be relaxed, the number of natural gas-fuelled vehicles is expected to grow to approximately 120,000 by 2021.

Among the different major areas involving the utilisation of natural gas, the transportation sector demonstrates huge potential in connection with gas usage. Since the launch of "Gasification in Jilin" by the government of Jilin Province in 2015, the number of vehicles using compressed natural gas (CNG) fuel has further increased and the CNG refuelling station market in Jilin Province has developed rapidly, creating opportunities for the development of the natural gas refuelling station market. Our Group was ranked second in the CNG refuelling station market in Jilin Province in terms of the CNG sales volume for 2017.

2. BUSINESS REVIEW

The Group is a leading vehicle CNG refuelling station operator in Jilin Province, the PRC. As at 31 December 2017, we operated a total of 24 CNG refuelling stations in Northeast China. 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. The table below shows the location of and product offer at our refuelling stations as at 31 December 2017:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of Stations
Changchun City, Jilin Province	12	0	0	12
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	2	1	1	4
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	0	0	1
Siping City, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	**23**	**4**	**1**	**28**
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:	**24**	**5**	**1**	**30**

Operating Results

Revenue

The Group's principal business activities are sales of natural gas to vehicular end-users by operating refuelling stations. For 2017, the Group's revenue amounted to RMB215.4 million, representing a decrease of RMB59.2 million or 21.6% from RMB274.6 million in 2016. The decrease in revenue was mainly attributable to the decrease in the sales volume of the Company's products as a result of (i) increased competition faced by certain refuelling stations located in Changchun City during 2017 and (ii) shortage of natural gas supply in Northeast China in November and December of 2017 as a results of the PRC government's promotion of coal to gas conversion project (煤改氣).

In respect of revenue contribution for 2017, sales of CNG accounted for 88% (2016: 93%) and sales of LPG accounted for 11% (2016: 6%). The table below shows the sales breakdown by product during the reporting period:

	2017		2016	
	RMB'000	%	RMB'000	%
CNG	**190,023**	**88**	254,859	93
LPG	**23,610**	**11**	18,484	6
LNG	**1,778**	**1**	1,262	1
Total	**215,411**	**100**	274,605	100

Cost of Sales and Gross Profit

The Group's cost of sales primarily represents 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. In 2017, the Group's cost of sales decreased by approximately 27.9% to RMB135.3 million from RMB187.6 million in 2016 due to the combination of (i) the decrease in the unit cost of procurement; and (ii) the decrease in total purchase of the products as a result of the decrease in sales volume of Company's products during 2017.

The gross profit for 2017 was RMB80.1 million (2016: RMB87.0 million), with a gross profit margin of 37% (2016: 32%). The decrease in gross profit was mainly attributable to the decrease in the sales volume of the Company's products compared with that of the previous year.

Other Income

Other income mainly comprises rental income and entrustment fee. For 2017, other income amounted to RMB5.9 million, representing a decrease of RMB0.4 million from RMB6.3 million in 2016. The decrease in other income was mainly attributable to the decrease in rental income from operating leases during 2017.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2017, staff costs amounted to RMB20.7 million, representing an increase of RMB6.6 million from RMB14.1 million in 2016. The increase in staff costs was principally attributable to the increase in number of staff and average salary payable for staff during 2017.

Operating Lease Charges, Other Operating Expenses, Finance Costs and Costs Incurred in Connection with the Initial Listing of the Company's Shares

For 2017, the operating lease charge decreased by approximately 35.6%, from RMB4.5 million in 2016 to RMB2.9 million in 2017. Such decrease was mainly attributable to decrease in operating lease charges for equipment and motor vehicles.

Other operating expenses, including utilities expenses related to gas refuelling stations, expenses for entrusted refuelling stations and other general office expenses decreased by 44.5%, from RMB15.5 million to RMB8.6 million. The decrease was mainly attributable to (i) the decrease in utilities expenses; (ii) the decrease in expenses for entrusted gas refuelling stations; and (iii) write back of written off doubtful debt for the year ended 31 December 2017.

Finance costs remained stable.

In respect of the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2017 (the "**Listing**"), the Group recognized non-recurring listing expenses of RMB21.3 million and RMB3.2 million in 2017 and 2016 respectively.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2017 decreased by RMB24.8 million, constituting a profit of RMB20.5 million (2016: RMB45.3 million).

Income Tax Expenses

In 2017, income tax expenses increased by RMB1.3 million, or approximately 12.1%, to RMB12.0 million from RMB10.7 million in 2016. Such increase was mainly due to the provision of withholding tax in connection with the retained profit to be distributed by a subsidiary of the Group.

Non-controlling Interests

In 2017, non-controlling interests amounted to RMB1.1 million, representing an increase of RMB0.7 million, or 175.0%, from RMB0.4 million in 2016 primarily due to an increase in profit contribution from the refuelling stations under Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited ("**Jilin Clean Energy**").

Profit for the Year

For 2017, the net profit of the Group amounted to RMB8.5 million, representing a decrease of RMB26.1 million from RMB34.6 million in 2016.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2017. Total assets increased by approximately 27.3% to RMB261.4 million (31 December 2016: approximately RMB205.4 million) while total equity increased by approximately 50.8% to RMB215.2 million (31 December 2016: approximately RMB142.7 million).

Bank Balances and Cash

As at 31 December 2017, the Group's bank balances and cash amounted to approximately RMB145.5 million (31 December 2016: RMB25.6 million) of which 44% was denominated in RMB and 56% in Hong Kong dollars.

Capital Expenditure

Capital expenditure for the year ended 31 December 2017 amounted to RMB12.4 million and capital commitments as at 31 December 2017 amounted to RMB5.1 million. Both the capital expenditure and capital commitments mainly related to the purchases of plant and equipment. The Group anticipates that funding for those commitments will come from the proceeds from initial public offerings ("**IPO**"), future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2017 and 2016 are summarised below:

	As at 31 December			
	2017		2016	
	RMB'000	%	RMB'000	%
Short-term borrowings	15,000	100	15,000	100
Currency denomination				
– RMB	15,000	100	15,000	100
Borrowings				
– secured	15,000	100	–	–
– unsecured	–	–	15,000	100
Interest rate structure				
– fixed-rate borrowings	15,000	100	15,000	100
Interest rate				
– fixed-rate borrowings		4.79%		4.87%

As at 31 December 2017, the Group's gearing ratio was approximately 18% (31 December 2016: 31%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2017 and 2016 respectively. The decrease in the gearing ratio was mainly attributable to the increased equity following the Listing.

Use of proceeds

On 16 October 2017, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong. Total net proceeds received by the Company from the IPO were approximately HK$143.7 million.

We set out below the status of the application of the net proceeds from the issue of shares in connection with the Listing:

	Actual amount used HK$'000 (%)		Amount to be used as disclosed in the Prospectus HK$'000 (%)	
Finance the expansion of our CNG refuelling station network	0	(0%)	129,330	(90%)
Strengthen our marketing and promotion strategies	0	(0%)	7,185	(5%)
General working capital	5,800	(4%)	7,185	(5%)
IPO proceeds not utilized	137,900	(96%)	N/A	N/A
Total	**143,700**	**(100%)**	**143,700**	**(100%)**

As at 31 December 2017, HK$5.8 million (equivalent to approximately RMB4.6 million) of the proceeds have been used and were applied in accordance with the proposed applications set forth in the prospectus of the Company dated 29 September 2017 (the "**Prospectus**"). The unutilized proceeds have been placed with licensed banks and financial institutions in Hong Kong and the PRC as interest-bearing deposits. We currently do not have any intention to change our plan for the use of proceeds as stated in the Prospectus.

Pledge of Assets

As at 31 December 2017, the Group's bank loan of RMB15.0 million was secured by property, plant and equipment and land use rights with an aggregate carrying value of approximately RMB7.4 million.

Contingent Liabilities

As at the date of this annual report and as at 31 December 2017, the Board is not aware of any material contingent liabilities (2016: Nil).

Human Resources

As at 31 December 2017, the Group had 241 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the share option scheme on 21 September 2017 (the "**Share Option Scheme**"), under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2017, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this annual report and the Prospectus, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2017.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

Inability to Control Costs

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 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 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), development of shale mining and alternative energy and the price trend of international crude oil. 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 if we misjudge the extent of adjustment of retail price at our refuelling stations, the Group's profit will be materially and adversely affected.

Supply Risk

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. 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. 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, especially in time of significant fluctuation of fuel price in the market.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

3. BUSINESS PROSPECTS

The consumption volume of natural gas is very strongly correlated to economic growth. With rapid development of the economy, income levels per capita are augmented, thereby enhancing the energy consumption per capita. Going forward, as the economy and society continue to develop, it is anticipated that China's demand for energy will witness a relatively large growth and that the demand for natural gas will increase rapidly.

Driven by the factor of environmentally friendly policies, and with the government's continuous promotion of natural gas energy and improvement of natural gas infrastructures, such as construction of gas stations and pipeline systems, Jilin Province's vehicle gas refuelling station market is expected to continue to grow in 2018. The gas sales volume of CNG refuelling stations is expected to experience continuous growth.

With the gradual pickup in oil prices, the competitive strength of natural gas is set to be further enhanced. The competition between natural gas and petroleum mainly occurs in the transportation sector, where CNG competes with petrol while LNG competes with diesel. CNG prices have long been lower than petrol prices, and as such CNG-fuelled vehicles are increasingly common in the urban public transportation sector.

Our Group has been proactively expanding its natural gas refuelling station business. On 22 December 2017, we, through our wholly-owned subsidiary Changchun Sinogas, entered into four entrusted operation management agreements with four different parties, including (1) Jilin Province Haotuo Petroleum Development and Usage Company Limited (吉林省昊拓石油開發利用有限公司), (2) Yitong Man Autonomous County Zhongxing Oil Gas Trading Company Limited (伊通滿族自治縣眾興油氣經銷有限公司), (3) Baicheng City Taobei District Agricultural Machine Petroleum Refuelling Station (白城市洮北區農機加油站), and (4) Songyuan City Ningjiang District Sitong Petroleum/Gas Refuelling Station (松原市寧江區四通加油加氣站), and, through our wholly-owned subsidiary Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司), entered into an entrusted operation management agreement with Yanji City Wanli Petroleum Refuelling Station (延吉市萬里加油站). Our Group was entrusted with an exclusive right to operate and manage the gas refuelling business at the stations operated by these stations, which has strengthened our Group's network of CNG refuelling stations.

Gas transportation service fee is a component of our Group's operating costs. Jieli Logistics has been offering gas transportation services to our Group, and in order to reduce the gas transportation service fees to be incurred as well as our reliance on the gas transportation services from connected persons, on 19 January 2018, our Group's wholly-owned subsidiary Changchun Sinogas entered into a sale and purchase agreement with Changchun Yitonghe to acquire the entire equity interests in Jieli Logistics from Changchun Yitonghe at a consideration of RMB15,250,549, after completion of which Jieli Logistics had become an indirect wholly-owned subsidiary of our Company. It is expected that the Group could support its own demand for safe and stable gas transportation service in a cost-efficient manner and generate new and stable revenue streams from the provision of petroleum transportation service.

Our Group adopts a proactive approach to understanding market changes and needs. Given the increasingly fierce competition surrounding CNG refuelling stations in Changchun City, our Group strives to further strengthen our position as a leading vehicle CNG refuelling station operator in Jilin Province. To that effect, we plan to (i) expand our CNG refuelling station network in Jilin Province in order to increase our market share; (ii) strengthen our marketing and promotion strategies in order to further boost our sales results and customer loyalty; and (iii) enhance our service quality and safety performance for further improvement of our customer experience.

Together we can change the world for the better

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the period from the date on which the shares of our Company are listed on the Stock Exchange, being 16 October 2017, (the "**Listing Date**") to 31 December 2017 (the "**Relevant Period**").

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance in order to safeguard the interests of the Shareholders and enhance the corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as its own code of corporate governance. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code. Save as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code throughout the Relevant Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2017. Details of the shareholding interests held by the Directors as at 31 December 2017 are set out in page 43 of this annual report.

BOARD OF DIRECTORS

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has a balanced composition of executive and independent non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors. Board members are listed below:

Executive Directors

Mr. Zhao Jinmin *(Chairman)*
Mr. Liu Yingwu
Mr. Wang Qingguo
Mr. Xu Huilin *(Chief Executive Officer)*

Independent Non-executive Directors

Ms. Su Dan
Mr. Yu Chen
Mr. Lau Ying Kit

Biographical information of the Directors is set forth on pages 37 to 38 of this annual report.

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 1 April 2017, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 1 September 2017, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than three months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. To ensure a balance of power and authority, the Company has appointed Mr. Zhao Jinmin as Chairman and Mr. Xu Huilin as Chief Executive Officer.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When the Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman of the Board or the relevant chairman of the Board Committee prior to the meeting.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions made, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board and Board Committee meeting are kept by the duly appointed secretary of the meeting and are open for inspection by Directors.

During the Relevant Period, one Board meeting was held and the attendance of each Director at the meeting is set out in the table below:

Director	Number of Board meetings attended
Mr. Zhao Jinmin	1/1
Mr. Liu Yingwu	1/1
Mr. Wang Qingguo	1/1
Mr. Xu Huilin	1/1
Ms. Su Dan	1/1
Mr. Yu Chen	1/1
Mr. Lau Ying Kit	1/1

The company secretary of the Company (the "**Company Secretary**") is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. During the year ended 31 December 2017, Mr. Lo Wai Kit was the then Company Secretary.

No general meeting was held during the Relevant Period.

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association (the "**Articles**") also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each of the newly appointed Directors on his/her first appointment in order to enable him/her to have an appropriate understanding of the business and operations of the Company and to be fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors.

During the year ended 31 December 2017, all the seven Directors had attended the training session regarding director's duty which was conducted by the Hong Kong legal advisors to the Company in preparation of the Listing. Below is a summary of all the Directors' participation in continuous professional development in 2017:

(i) attended director's training

(ii) read training materials relating to corporate governance practices, relevant legal and regulatory requirements, and director's duties and responsibilities

AUDIT COMMITTEE

During the year ended 31 December 2017, the primary responsibilities carried out by the Audit Committee include:

– making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors;

– reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports; and

– overseeing the Company's financial reporting system, risk management and internal control systems, including but not limited to, review of financial control, risk management and internal control systems, consideration of actions to be taken in respect of any findings of major investigations of risk management and internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee comprises Mr. Lau Ying Kit, Ms. Su Dan and Mr. Yu Chen who are independent non-executive Directors. The Audit Committee is chaired by Mr. Lau Ying Kit.

No meeting had been held by the Audit Committee during the year ended 31 December 2017 as the shares of the Company were only listed on the main board of the Stock Exchange on 16 October 2017. From the Listing Date and up to the date of this annual report, one Audit Committee meeting was held on 26 March 2018 to review the annual financial results and report, re-appointment of external auditors and relevant scope of works. All members of the Audit Committee attended the meeting. The external auditors attended the meeting. Full minutes of the Audit Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no different view taken by the Audit Committee from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

A set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 21 September 2017 and the contents of which are in compliance with the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on Hong Kong Exchanges and Clearing Limited's ("HKEx") website at www.hkexnews.hk and on the Company's website at www.united-strength.com.

REMUNERATION COMMITTEE

During the year ended 31 December 2017, the primary responsibilities carried out by the Remuneration Committee include:

– making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;

– determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;

– reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; and

– ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee comprises Mr. Liu Yingwu who is an executive Director and Mr. Yu Chen and Ms. Su Dan who are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yu Chen.

During the Relevant Period, no meeting was held by the Remuneration Committee.

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 21 September 2017 and the contents of which are in compliance with the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the HKEx's website at www.hkexnews.hk and on the Company's website at www.united-strength.com.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 8 to the financial statements.

The remuneration of the members of senior management by bands in 2017 is set out below:

Remuneration bands	Number of individuals
Nil–HK$1,000,000	3

NOMINATION COMMITTEE

The Nomination Committee comprises Mr. Xu Huilin who is an executive Director, and Ms. Su Dan and Mr. Yu Chen who are independent non-executive Directors. The Nomination Committee is chaired by Ms. Su Dan. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors. A set of written terms of reference, which described the authority and duties of the Nomination Committee, was amended and adopted by the Board on 21 September 2017 and the contents of which are in compliance with the CG Code. The said terms of reference of the Nomination Committee adopted by the Board are available on the HKEx's website at www.hkexnews.hk and on the Company's website at www.united-strength.com.

The Nomination Committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommend any such revisions to the Board for Nomination and approval.

No meeting had been held by the Nomination Committee during the year ended 31 December 2017 as the shares of the Company were only listed on the main board of the Stock Exchange on 16 October 2017. From the Listing Date and up to the date of this annual report, one Nomination Committee meeting was held on 26 March 2018 to review the structure, size and composition of the Board and make recommendation to the Board on the re-election of the retiring Directors. All members of the Nomination Committee attended the meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties set out in code provision D.3.1 of the CG Code as follows:

(i) developing and reviewing the Group's policies and practices on corporate governance and make recommendations to the Board;

(ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

(iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements (where applicable);

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and

(v) reviewing the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 52 of this annual report.

EXTERNAL AUDITORS

The Group appointed KPMG as the Group's principal external auditors. The acknowledgement of their responsibilities for the audit of the consolidated financial statements of the Group is set forth in the Independent Auditor's Report on pages 52-54 of this annual report.

The remuneration paid or payable to KPMG for services rendered in respect of the year ended 31 December 2017 is as follows:

	2017 RMB'000
Audit services	**2,450**
Non-audit services	**–**
Total	**2,450**

RISK MANAGEMENT AND INTERNAL CONTROLS

In the course of conducting our business, we are exposed to various type of risks, including business risks, financial risks, compliance risks and operation and other risks. The Company improves its business and operational activities by identifying the area of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The Board is ultimately responsible for the risk management of the Group and is granted full authority to maintain the soundness and effectiveness of the internal control system and risk management procedures of the Group to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal, ensuring an appropriate maintenance of accounting records and the availability of reliable financial information and ensuring compliance of the operating activities with laws and regulations. The internal control systems are designed to manage rather than eliminate risks of failure to achieve the business objectives of the Group and to only provide reasonable and not absolute assurance against material misstatement or loss.

Objectives of the risk management and internal control implemented by the Company include:

(1) Identifying matters that may have potential impacts on the Company;

(2) Formulating appropriate control measures for risk management within our risk profile;

(3) Providing reasonable assurance for the Board and the management in achieving its operating objectives.

Procedures used by the Company for identification, assessment and management of significant risks, as well as review of the effectiveness of the risk management and internal control systems include:

– Reviewing existing documentation and conducting interviews with management and key business officers of the Company to identify key risks, and keeping records in the internal risk assessment report;

– Identifying, consolidating and analyzing existing and potential risks;

– Evaluating and formulating tackling measures in response to identified risks;

– Implementing testing procedures to confirm the existence of key controls and effectiveness of control in the course of operations;

– Identifying possible defects in respects of control designs and exercise of control in the course of key operations; and

– Confirming relevant issues and arriving at a modification plan in response to the internal control defects, and following up the implementation.

Prior to the Listing, the Company engaged an external consulting firm to review the internal control of the Company. The consulting firm provided advices for improvement regarding issues identified in the review and reported to the Board. Our management took follow-up measures regarding the implementation and arranged subsequent review work. The Company has reviewed the need for an internal audit function since the Listing Date and considered it appropriate to outsource the internal audit functions. Accordingly, the Company plans to engage an external professional company to provide internal audit services to the Group on an annual basis.

Since the Listing Date and up to the date of this annual report, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the period covering all material controls, including financial, operational and compliance as well as risk management. The Board considers that the Group's risk management and internal control, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

The executive Directors closely monitored the Group's business and corporate developments and events so that potential inside information would be identified promptly. The Company regulates the handling and dissemination of inside information by restricting access to inside information to a limited number of employees and parties on a need-to-know basis. Employees who are in possession of inside information are conversant with their obligations to preserve confidentiality. External parties, such as financial printer, are required to sign confidentiality agreement or non-disclosure agreement. Inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Inside information shall be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the press or posting on the Company's website. In respect of the year ended 31 December 2017, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group since the Listing Date.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including independent non-executive Directors), senior management and external auditors shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 20 clear business days' notice of the date, venue and agenda of such meetings and a minimum of 10 clear business days' notice of the date, venue and agenda for all other general meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the HKEx.

In accordance with the Articles, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Company secretary to convene extraordinary general meetings and put forward proposals at such meetings of which not less than 21 days' notice has been duly given. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company in the PRC at No. 2101, Unit 1, Block 23, Zone G, Solana 2, Erdao District, Changchun, Jilin Province, the PRC.

If a shareholder wishes to nominate a person to stand for election as a Director at a general meeting, the relevant documents must be validly served on the Company's Hong Kong branch share registrar and transfer office or principal place of business in PRC within the requisite period of time. The full details of the procedures for Shareholders to propose a person for election as a Director were posted on the web-site of the Company at www.united-strength.com.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all executive Directors, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Board adopted a shareholders' communication policy on 21 September 2017 to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

During the Relevant Period, no general meeting was held.

To promote effective communication, the Company maintains a website at http://www.united-strength.com, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Group believes that investor relations are important to a listed company to enhance its transparency and corporate governance. During the year, the executive Directors and senior management of the Group have maintained sound communications with the investment community by actively participating in various investor-related activities and meetings. On these occasions, the Group's investor relations representatives introduced the Group's strengths and growth strategies in order to gain support and recognition from the market and investors. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong headquarters or sending enquiries to the Company's website at www.united-strength.com.

CONSTITUTIONAL DOCUMENTS

From the Listing Date and up to 31 December 2017, the Company has not made any significant changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the HKEx.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

During 2017, Mr. Lo Wai Kit, the then Company Secretary, had attended no less than 15 hours of relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

United Strength Power Holdings Limited is a leading vehicle CNG refuelling station operator in Jilin Province, the PRC. United Strength Power Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") stringently adhere to their environmental and social responsibilities.

The Group has developed its sustainability strategy with aims to create sustainable values to its stakeholders and brought positive impact to the environment and society. In order to carry out the sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has established dedicated teams to manage ESG issues within each business division in the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in environmental and social aspects can be found in the different sections of this ESG Report. The Group believes that sustainability is essential to the long-term development of the Group.

This is the first time for the Group to publish the ESG report in FY2017. This ESG report is aimed to disclose the works that the Group has done to fulfil the social responsibility and environmental protection goal. The Group believes that environmental and social issues should be integrated into the workplace and daily life at both the management and staff. And the Group hopes to achieve annual progress in energy conservation, emission reduction and social responsibility.

The Group is pleased to present this ESG Report as a means to demonstrate the Group's approach and performance in terms of sustainable development for the year ended on 31 December 2017. This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited's website.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that include 30 gas refuelling stations in northeast of China. The reporting period of this ESG Report is the financial year from 1 January 2017 to 31 December 2017 ("FY2017"), unless specifically stated otherwise. This ESG Report will be issued on an annual basis. This report is prepared in both Chinese and English and has been uploaded to the Group's website at www.united-strength.com.

III. STAKEHOLDER ENGAGEMENT

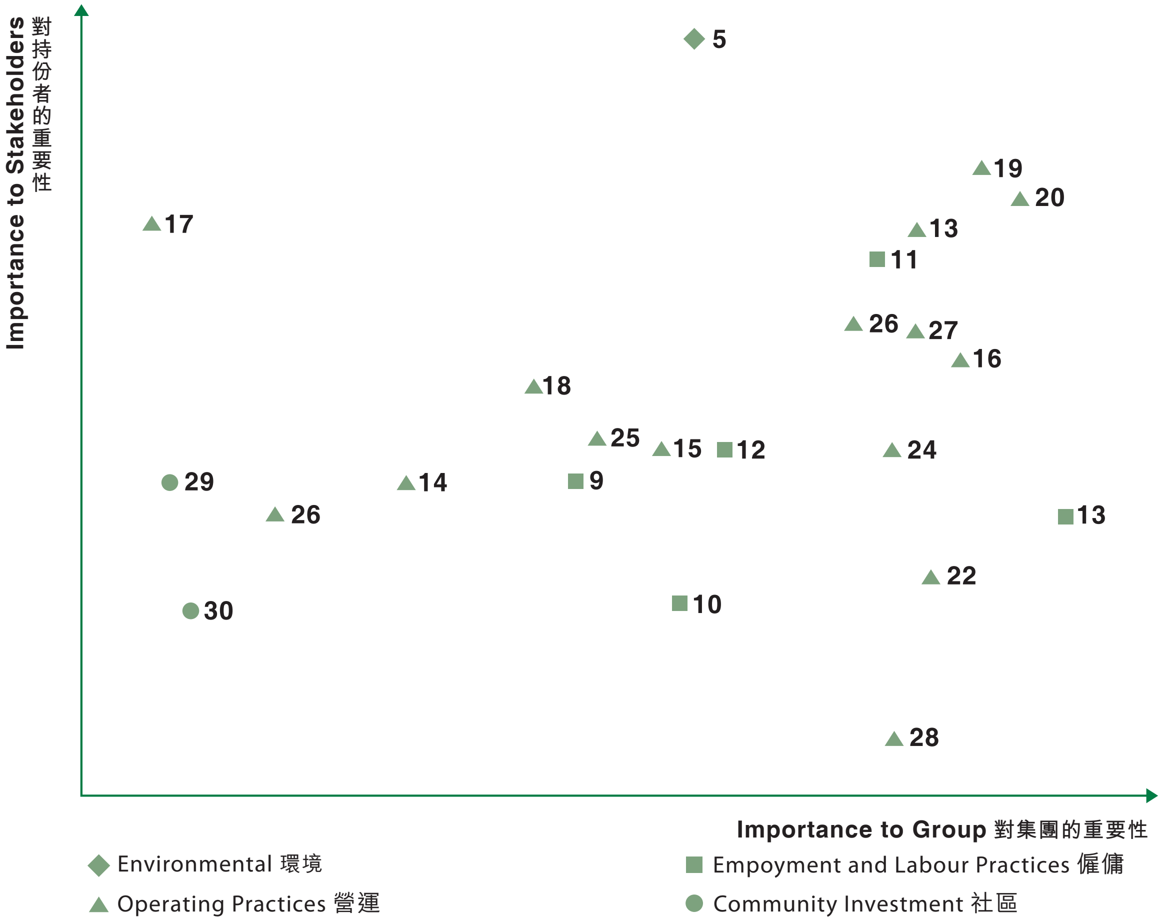
With the goal to strengthen the sustainability approach and performance of the Group, the Group has put tremendous effort in listening to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders in order to maintain a high standard of sustainability within the group while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Support economic development – Proper tax payment	– Supervision on complying with local laws and regulations – Routing reports and taxes paid
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements
Employees	– Employees' compensation and benefits – Career development – Health and safety working environment	– Performance reviews – Regular meetings and trainings – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – Protect the rights of customers	– Customer satisfaction survey – Face-to-face meetings and on-site visits – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits – Industry seminar
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Face-to-face interview

Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholder's main concerns and material interests for the ESG Report. In FY2017, the Group has engaged its stakeholders to conduct a materiality assessment survey. Both internal and external stakeholders were selected based on their influence and dependence on the Group. The selected stakeholders have then been invited to express their views and concerns on a list of sustainability issues via an online survey. As a result, the Group was able to prioritise the issues for discussion. The result from the materiality assessment survey has been mapped and presented as below.

Stakeholder Engagment Materiality Matrix 重要性分析距離



1	Air and greenhouse gas emissions	11	Occupational health and safety	21	Marketing and promotion
2	Sewage treatment	12	Employee development and training	22	Observing and protecting intellectual property rights
3	Land use, pollution and restoration	13	Preventing child and forced labour	23	Product quality assurance and recall percentage
4	Solid waste treatment	14	Suppliers by geographical region	24	Protection of consumer information and privacy
5	Energy use	15	Selection of suppliers and assessment of their product/services	25	Labelling relating to products/services
6	Water use	16	Environmental protection assessment of the suppliers	26	Information Disclosure
7	Use of other raw/packaging materials	17	Social risks assessment of the suppliers	27	Preventing bribery, extortion, fraud and money laundering
8	Mitigation measures to protect natural resources	18	Procurement Practices	28	Anti-corruption policies and whistle-blowing procedure
9	Composition of employees	19	Health and safety relating to products/services	29	Understanding local communities' need
10	Employee remuneration and benefits	20	Customers satisfaction	30	Public welfare and charity

The Group built a two-dimensional materiality analysis matrix and prioritised the 30 issues accordingly. With respect to this ESG Report, the Group identified health and safety relating to products/services, and customers satisfaction as issues of the highest importance to its stakeholders and the Group. This review has helped the Group to prioritise its corresponding sustainability issues and highlight the material and relevant aspects so as to align them with stakeholders' expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group stringently complies with all relevant environmental laws and regulations in the PRC in FY2017, including but not limited to Environmental Protection Law of the PRC, Law of the PRC on Appraising of Environment, Law of the PRC on Prevention and Control of Water Pollution, Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste.

This section primarily discloses the policies and practices of the Group on emissions, use of resources, the environment and natural resources during FY2017.

A.1. Emissions

In FY2017, the Group was not in violation of any relevant laws and regulations, which have a significant impact on the Group, related to air emissions, Green House Gas emissions, water and land pollution, and hazardous and non-hazardous emissions. Environmental policies of the Group include the control of energy consumption and the use of clean energy to alleviate the emission impact on the environment.

In FY2017, the total air emissions of the Group were 0.3 kg sulphur oxides ("SO_X") and 4.5 kg nitrogen oxides ("NO_X"). The total emission of Green House Gas amounted to 2,620.8 tonnes of CO_2-e with an intensity of 11.9 tonnes of CO_2-e per million RMB. The Group emitted 5,612.7 tonnes of non-hazardous wastewater, 30,332 kg non-hazardous solid waste, and no hazardous emissions during the year ended 31 December 2017. The relevant amount of each emission in FY2017 is shown in Table 1.

Air Emissions

Air emissions are mainly generated by the use of vehicles in daily operations. The Group uses gasoline as the power source of vehicles. Therefore, the exhausted gases generated are mainly sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particle material ("PM"). To reduce the amount of air emissions, the Group encourages the use of LNG as alternative for gasoline. This measure greatly reduces air emissions in the daily operations. The Group will continue to promote LNG to replace gasoline to lower air emissions. The relevant amount of each air emission in FY2017 is shown in Table 1.

Greenhouse Gases ("GHGs")

The Group has put GHGs emissions in FY2017 in Table 1. The GHGs emissions of the Group mainly generate from the indirect emissions from the use of electricity and direct emissions from vehicles. As GHG emissions are positively correlated to electricity and energy consumption, the Group has tried to reduce the consumption of both aspects in its daily operation through specific measures, which are further explained in the subsection headed "Electricity" and "Energy" under section A.2. "Use of Resources" of this ESG Report.

Wastewater

Wastewater produced by the Group mainly is generated from the daily water usage from its staff during working hours in office. The small amount of domestic wastewater is discharged to anti-seepage tank and is regularly cleaned and used as fertilizer. To reduce wastewater, the Group has adopted specific measures to reduce the water consumption, which are further explained in the subsection headed "Water" under section A.2. "Use of Resources" of this ESG Report.

Solid Wastes

Solid wastes produced by the Group are mainly non-hazardous solid waste from the daily operating and domestic solid waste from employees. The solid wastes treatment method is to place the solid wastes uniformly in the garbage bins set by the local government, and are collected and treated by the government.

Table 1 Total emissions of the Group by category in FY2017

Emission Category	Item	Unit	Amount	Intensity (Per million RMB)
Air emissions	sulphur oxides (SO_X)	kg	0.3	–
	nitrogen oxides (NO_X)	kg	4.5	–
GHG emissions	Direct Emission (Scope 1)	tonnes CO_2-e	40.4	0.2
	Indirect Emission (Scope 2)	tonnes CO_2-e	2,580.4	11.7
	Total (Scope 1 & 2)	tonnes CO_2-e	2,620.8	11.9
Non-hazardous waste	Wastewater	tonnes	5,621.7	25.5
	Solid Waste	kg	30,233	136.8

A.2. Use of Resources

The resources consumed by the Group in FY2017 are energy and water, which are showed in Table 2 below. The Group pays great attention on the product containers. For example, LNG is filled in special LNG storage tank, CNG is filled in gas cylinder, and LPG is filled in special LPG gas tank.

Electricity

The total electricity consumption of the Group amounted to 3,321,449.6 kWh in FY2017, with an intensity of 15,038.7 kWh/million RMB. The Group strictly complies with energy-saving policies, and hold regular energy-saving trainings. Along with the decrease of electricity consumption, the indirect GHGs emissions decrease accordingly.

The electricity consumption of the Group comes from the regular operation in gas stations and offices. To ensure effective use of electricity, the Group has formulated the internal regulation, including but not limited as followings:

- Turn off vacant lighting and air-conditioning system;
- Present posters like "Saving Electricity, Turn off the Light when Leaving" in prominent places to encourage internal employees;
- Modify the set temperature of air conditioners in the offices based on the season;
- Turn off lights, copy machine, and computers when employees leaving office for more than half an hour;
- Replace high electricity consumption lamps with electricity saving lamps for office lighting; and
- Clean office equipment such as refrigerate, air condition and shredder regularly to ensure their efficiency.

Water

The Group encourages employees to save water in daily operations. The total water consumption of the Group was 3,070 m^3 in FY2017. To improve the utilization efficiency of water resources, the Group has formulated the internal regulation listed as followings:

- Present “Saving Water Resource” posters in prominent places to encourage water conservation;
- Perform regular education works on saving water among the staff;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Test regularly on water tap, washer and water supply system to prevent leakage; and
- Require employees to strictly adhere to the principle of water conservation in their daily work.

Energy

The energy consumption of the Group is mainly gasoline in FY2017. The Group encourage saving energy through simple measures, such as filly utilizing of transport spaces, encouraging employees travel with public transportation and replace traditional vehicles with electric vehicles. The Group consumed 17,135 litre gasoline with an intensity of 77.6 litre per million RMB.

Table 2 Detailed resource consumption of the Group by category in FY2017

Item	Types of Resources	Unit	Amount	Intensity (Per million RMB)
Energy consumption	Gasoline	L	17,135	77.9
Electricity		kWh	3,321,449.6	15,035.9
Water		m^3	6,023.2	27.3

A.3. The Environment and Natural Resources

The Group’s routine operation exerts no negative influence on its surroundings except for the GHG emissions. the Group actively take measures to reduce air emissions. In FY2017, the Group has no great impact on the environment, such as natural gas leakage.

V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group treasures employee's talent and considers employees as the most valuable asset and key to Group's success and sustainable development. The Group continuously provides employees with opportunities to develop their career and enhance their capability.

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in the PRC, including Labour Law of the PRC. The Group has also complied with the laws and regulations in respect to the employees' social security schemes to provide employees with legal social security (endowment insurance, medical insurance, employment injury insurance, unemployment insurance and maternity) and housing accumulation funds. The human resources department of the Group and its subsidiaries review and update the relevant company policies regularly in accordance with the latest laws and regulations.

Talent acquisition is vital to the Group's business future development. To attract high-calibre candidates, the Group offers fair remuneration and benefits to recruit employees through the internet, recruitment seminar and intermediary agent. The Group decides the compensation package based on the individuals' past performance, personal attributes, job experiences and career aspiration. Retaining talent is also essential to the future development, hence the Group constantly reviews the compensation system and regularly evaluates employees' working capability and former performance and adjust compensation package according to benchmark. The Group adjust the compensation package according to last year's compensation practice, operating performance, CPI index and benchmark. Employees are not allowed to disclose the salary composition and settlement method nor inquire other employees' salary. Relevant staff should not reveal salary of any employment without permission. To provide employees a wide and appropriate promotion space, the Group divides employees into different levels with different training schemes. Employees can achieve career development and promotion through self-learning and consistent effort to realize their values.

Employees should report for resignation 30 days before leave. Employees should fill in the Application Form for Resignation and manifest reasons for resignation. After approval, employees should report the Human Resources Department in time and handle the resignation procedure afterwards. All employees should fulfil work responsibility before handling the resignation procedure, and cope with work handover or successor training.

Any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbook. The Group strictly prohibits any kinds of unfair or unreasonable dismissals to protect the employee's rights.

The Group has formulated its own internal policies based on Labour Law of the PRC and local employment laws for determining working hours and rest period for employees. The Group strictly controls the working hours and implements a system of rewards and penalties. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees may also be entitled to additional paid leave such as marriage leave, maternity leave or funeral leave. Employees should finish the application form with reason and time when applying for rest period. The rest period takes effect after superior's approval.

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Group. The Group will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to such incidents.

The Group provides annual physical examination, holiday gift and other benefits to enhance employees' sense of belongings. To facilitate employees' relationship, the Group held a series of activities, such as Employee Skill Competition and Safety Culture Sports Meeting. Besides, the Group strives to maintaining timely and smooth communication with manager and general employees through bulletin board, email and Wechat.

During the year ended 31 December 2017, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has established work safety and health policies that are in line with various laws and regulations stipulated by the State Council of the PRC. The specific laws and regulations mainly include Law of the PRC on the Prevention and Control of Occupational Diseases.

To implement the relevant laws, regulations, policies and standards relating to occupational disease prevention in the PRC, the Group has established Occupational Health Control Regulation and enforced managers and employees to comply with the regulation in daily operations. Meanwhile, the Group requires the main director of each gas refuelling station to implement laws relating to occupational prevention and control. The Group also organises regular occupational safety trainings for directors and request them to monitor and ensure the relevant regulations are in practice. When occupational disease inductive accident happens, the Group should report the accident to local safety production supervision department and take effective measures to alleviate or eliminate the hazardous factor to prevent the expansion of the accident scope. The Group strictly prohibits any behaviour to hide accidents.

The Group provide employees with occupational disease prevention facilities and individual protective equipment. The Group takes serious actions on any action that is in violation of occupational disease prevention laws and regulations or endangers employees' health and safety. In the meantime, the Group provide occupational health training, regular occupational health examination and treatment.

Given to the nature of the Group's business, the Group prohibits employees to smoke, drink or make phone calls in working areas and organises regular safety check and emergency exercise. All employees should pass a series safety trainings before entry the Group. The trainings focus on occupational laws and its elementary knowledge, occupational health management regulations and operating process, use protective equipment, and emergency rescue measures. The trainings are aimed to enhance employees' safety awareness and achieve no accident. The Group organises employees to take annual physical examination and bring the results into employee health record.

In FY2017, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge. The internal training locates at Changchun, Jilin Province while the external training institutions include Xiangfei Special Equipment Training Base, Jilin Province Gas Association, Heilongjiang Provincel Gas Association, Yanbian Prefecture Safety Supervision Bureau, Heilongjiang Province Special Equipment Safety Technology Association, and Yuanyuan Vocational Training School in Jilin. In addition, the Group provides employees with E-learning training platform as online training.

New employees must receive and pass occupational health training before onboard. When the position is mobilized, the Group conducts job-specific occupational health training assessments for the employees. Only the qualified ones are approved to change job positions. External construction unit must be trained referring to the occupational safety and health training and education regulations. All employees should attend occupational health training every half year. And all trainings should be recorded and archived. The specific content should include time, data, training content, teacher, location and signature of the trainees. The Occupational Health Management Department is responsible for the management of the training and funds.

In FY2017, the main training held by the Group are defensive driving and safety leaning month for all employees, anti-static technology and safety management for high place for station employees, and brief introduction to the use of workplace skills and safety props utilization for heads of stations and executive staffs.

B.4. Labour Standards

The Group strictly abides by the Labour Law of the PRC (中華人民共和國勞動法) to prohibit any child or forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the Group has established "Staff Employment Regulations", and requires job applicants to provide a series of certifications before confirming employment, including a copy of ID card and household register, photo, medical report or health certificate, graduation certification, title certification, guarantee certification, guarantee' ID and household copy and proof of termination of labour relation with former work organization. Responsible person for the management of personnel files of relevant subsidiaries should check the items according to "Employee Check List". All formalities must be fully provided prior to entry, otherwise the employees will not be able to handle entry procedures. In recruitment, all the information provided are required to be true. If there is any mendacious information, the Group will terminate the employment according to relevant laws. The human resources department of the Company is responsible to monitor and ensure compliance by the Group with the latest relevant laws and regulations that prohibit child labour and forced labour.

During FY2017, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

As implementing social responsibility is the basic policy of the Group, the Group requires suppliers to fulfil environmental and social responsibility. The subsidiaries of the Group strictly monitor the quality and operation practices of the supply chain.

The main business of the Group is retail of LNG in gas stations and the main raw material is CNG. The main suppliers of the Group are Changchun Huarun LNG Co., Ltd., Changchun Automobile Gas Development Co., Ltd., and China Petrochemical Corporation Limited Jilin Natural Gas Company. When choosing suppliers, the suppliers who are qualified with the following conditions will be considered in prior: 1. Legitimate production/business enterprise approved by the relevant departments; 2. A sound quality control system; 3. Solid technical ability; 4. Good management standards. The chosen suppliers are required to provide gas quality report to the Group. Meanwhile, the Group conducts market research on various suppliers and compares the gas quality and price to find the best suppliers. Gas quality and price, and environmental and social risks are important assessment factors when choosing suppliers. The existing suppliers of the Group are all large-scale enterprises with sound local brand reputation.

To ensure adequate and stable gas supply, the Group usually enters into annual gas supply framework agreements with suppliers. In the agreement, pricing, purchasing, delivery and payment arrangement are clearly defined. The Group also inspected several suppliers at the same time to cope with supplier shortages or increase prices, for example: using alternative supplier when suffering gas shortage. To ensure the product quality, the Group requires suppliers to provide gas quality inspection reports from third parties. The Operating Department monitors the inspection report provided by the supplier, if any unqualified or illegal condition is found, it is necessary to communicate with the supplier in time to assist rectification. If the rectification is qualified, the cooperation will continue, otherwise the backup supplier will be enabled to cooperate. The Group did not find any unqualified in FY2017.

The Group has established a list of qualified suppliers (incorporated suppliers are recognized by the Group as being able to complete business as agreed) in order to better manage the Group's supply chain. When selecting suppliers, the Group needs to comprehensively consider the quality of its products, the credibility of its corporate credit, the reasonableness of its supply price, and the convenience of geographical supply. The term of the supply contract signed between the Group and the supplier is generally one year, and the list of qualified suppliers is also updated annually.

B.6. Product Responsibility

The Group strictly complies with the laws and regulations in the PRC relating to gas station construction and management, including but not limited to Fire Prevention Law of the PRC, Production Safety Law of the PRC, and Advertising Law of the PRC. In FY2017, the Group found no violation of the quality, health and safety, advertisement, label and privacy laws and regulations that have a significant impact on the Group.

The Group adheres to the service concept of oriented to meet customer needs, which is putting the customers in the premier place, employees in the second place and stakeholders in the third place, and strictly control the natural gas quality and service quality in gas stations. The Group has established Legal Affaires Management System to follow up with of legal affairs such as gas station licence registration and annual inspection, finishing lease registration, EIA approval, EIA acceptance and other affaires in time. Various functional departments of the Group are responsible for collecting relevant laws and regulations, for example: Safety Equipment Department collects fire safety and safety policy laws and regulations and relevant professional and technical standards, Human Resources Department is responsible for collecting labor laws and other related laws and regulations, and Administrative Department is mainly responsible for the overall statistics, relevant employee training, qualification certificates, lease filing, EIA approval, archiving and storage of environmental acceptance data, and so on. In the meantime, the Administrative Department also needs to regularly assess the status of relevant licenses, monitor the expiration date, pass information to the person in charge, supervise their implementation of regulations, go through the planning and construction procedures for the gas station, and complete and record the inspection and acceptance of the project.

The Group's Operating Department conducted a series of tests to ensure the safety and reliability of gas filling stations. The Group also obtained main safety operation certifications for gas filling stations, like Pressure Vessel Use License, Cylinder Filling Certificate and Gas Business License.

The Group conducts regular research on customers and collects feedback according to Customer Complaint Handling Management Method. The research is managed by Operating Department, and aims to collect customers' advice, identify the problems and propose systematic solutions. For the issues related to the internal implementation level of the group, the Operating Department conducts corresponding assessments through the Group Performance Management Measures.

The Group mainly complies with the Patent Law of the PRC, Intellectual Property Law of the PRC and Tort Law of the PRC for the maintenance and protection of the intellectual property. In FY2017 and past few years, the Important patents owned by the Group include: Preparation Equipment and Process Thereof of a Low Propane, High Olefin Liquefied Petroleum Gas, Preparation Equipment of a Low Propane, High Olefin Liquefied Petroleum Gas, Gas Station Card and Machine Management System V1.01, and Yafei Distribution ERP Management System V1.6 (all listed patent have been registered). In case of violation of intellectual property rights, the Group will protect intellectual property through legal methods.

The Group undertakes to comply with the Personal Data (Privacy) Ordinance (Chapter 486), Law of the PRC on the Protection of Customer Rights and Interests and the relevant laws and regulations to ensure the protection on the customers' privacy. Information collected by the Group from its customers would only be used for the purpose for which it has been collected and customers should be notified about where the information will be used. All the customer's personal data collected during the business operation is considered confidential. The Group strictly prohibits to provide customer information to third-party vendors without authorization from customers. The Group has appointed Jilin Province Yafei Technology Company Limited (吉林省亞飛科技有限公司) to manage the database. Only specific staffs, who have approved by the general manager, can reach the information.

B.7. Anti-corruption

The Group strictly adheres to the laws and regulations in Hong Kong and the PRC relating to anti-corruption and bribery to avoid any bribery, extortion, fraud and money laundering.

The Group has no tolerance to any corruption. All employees must abide by integrity and self-discipline in performing their job responsibilities and are not allowed to participate in bribery activities or exploit their positions against the Group's interests. Employees can report any suspicious misconduct and illegal behaviour within the Group.

If there is any suspicious misconduct that might harm the interest of the Group, employees are responsible to report to the department manager. The manager should report to the legal affairs agency within 5 days. If urgent measures need to be taken, department managers should promptly take emergency measures.

During the year ended 31 December 2017, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

The Group fully understands the importance of fulfilling the social responsibility and has actively cooperates with and supports the specific requirements in environmental protection, health and social governance according to the requirements of the local government for corporate social responsibilities.

The Group focus on the education, environment and health issues when fulfils social responsibilities. In FY2017, the Group has donated books and clothes for Changchun City Erdao District Yaoshi Primary School. During the CEE and other important examinations, the Group provided free parasols, seats, drinking water, medical kits and other services for the parents in some examination sites. Besides, the Group provided logistical support to Yongji County Flood Rescue Team such as free vehicle repair and traffic diversion to ensure the smooth progress of rescue work during the flood-fighting period in Jilin City.

VI. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	25
	KPI A1.1	The types of emissions and respective emission data.	25
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	25
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	26
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	25-26
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	25-26
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	26
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	27
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	27
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	26-27
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	26-27
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A

Aspects	ESG Indicators	Description	Page
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	27
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	27
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	28-29
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	29
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	30
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	30

Aspects	ESG Indicators	Description	Page
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	31
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	32
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	33
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	33

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Company has four executive Directors and three independent non-executive Directors. Their details are set out below:

EXECUTIVE DIRECTORS

Mr. Zhao Jinmin (趙金岷先生), aged 49, 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. 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 distribution of petroleum and/or oil to vehicular end-users by operating petroleum refuelling stations, sales of petroleum products and other petroleum-related businesses and prior to the reorganisation of our Company, the distribution of CNG, LNG and/or LPG to vehicular end-users by operating gas refuelling stations (partly through our operating subsidiaries incorporated in the PRC).

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.

Since the incorporation of Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司) in July 2007, Mr. Zhao has been acting as one of its directors. He has been appointed as a director of Yanbian United Strength Energy Technology Development Company Limited (延邊眾誠能源技術開發有限公司) since October 2008 and he has also been serving as the sole director and general manager of Wuchang City Qinglian Gas Company Limited (五常市慶聯燃氣有限公司) since June 2010. Mr. Zhao has been the sole director of United Strength Power International Limited and United Strength Power HK Limited since their respective incorporations. Mr. Zhao also holds directorship in a substantial shareholder of the Company within the meaning of Part XV of the SFO.

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 distribution of CNG, LNG and/or LPG to vehicular end-users by operating gas refuelling stations.

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.

Since February 2012, Mr. Liu has been serving as the sole director of Jilin Dongkun Gas Company Limited (吉林東昆燃氣有限公司). He has also been the sole director and the general manager of Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司) since March 2012. Mr. Liu has been serving as the chairman and a director of each of Changchun Sinogas and Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限責任公司) since December 2014 and October 2014, respectively. Mr. Liu also holds directorship in a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Wang Qingguo (王慶國先生), aged 48, is an executive Director. He is primarily responsible for financial planning and management of our Group. Mr. 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. 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. 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. Xu Huilin (徐輝林先生), aged 42, 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.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chen (于臣先生), aged 63, was appointed as an independent non-executive Director 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. 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 an independent non-executive Director 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).

Mr. Lau Ying Kit (劉英傑先生), aged 44, was appointed as an independent non-executive Director 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 November 2017, Mr. Lau has been the chief financial officer and company secretary **Sing Lee Software (Group) Limited, **China Glass Holdings Limited, **Success Dragon International Holdings Limited and **Great Harvest Maeta Group Holdings Limited. His major responsibilities in such companies include overseeing and handling finance matters and company secretarial matters.

Mr. Lau has served as an independent non-executive director of **Shandong Chenming Paper Holdings Limited 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, **Xiezhong International Holdings Limited and **China Wood Optimization (Holding) Limited. From June 2011 to October 2017, 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.

SENIOR MANAGEMENT

Mr. Lo Wai Kit (盧偉傑先生), aged 45, 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 from December 2007 to March 2017, responsible for handling the finance and company secretarial matters.

Ms. Bian Xiaodan (邊曉丹女士), aged 35, 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. 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. 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 Energy Development Company Limited (龍井眾誠能源發展有限公司). 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. 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.

** *companies listed on The Stock Exchange of Hong Kong Limited*

DIRECTORS' REPORT

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are engaged in the sale of natural gas to vehicular end-users by operating refuelling stations. The activities of the principal subsidiaries are set out on page 81 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2017.

BUSINESS REVIEW

A fair review of the business, business outlook and the key financial performance indicators of the Group are provided in the "Management Discussion and Analysis" of this annual report. In addition, more details regarding the Group's performance in relation to environmental and social-related policies, an account of the Group's relationship with its key stakeholders, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Environmental, Social and Governance Report" and "Corporate Governance Report" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 55-56 of this annual report.

The Directors recommended the payment of a final dividend of HK$0.05 per ordinary share, totaling HK$11,725,100 in respect of the year to shareholders on the register of members on 20 June 2018. The proposed final dividend for the year ended 31 December 2017 has been approved at the Company's Board meeting on 26 March 2018 and is subject to approval by shareholders at the forthcoming general meeting of the Company. Details of the dividends for the year ended 31 December 2017 are set forth in note 23 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 May 2018 to Wednesday, 6 June 2018, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2018.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Wednesday, 20 June 2018 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Friday, 15 June 2018 to Wednesday, 20 June 2018, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14 June 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set forth in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity on page 59 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB97.5 million. This included the Company's share premium account in the amount of approximately RMB120.0 million which is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital of the Company during the year are set forth in note 23 to the financial consolidated statements and in the section headed "Directors' Report – Share Option Scheme" in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and revenue from sales of goods or rendering of services attributable to major suppliers and customers are as follows:

Percentage of purchases attributable to the Group's largest supplier	22%
Percentage of purchases attributable to the Group's five largest suppliers	70%
Percentage of revenue from sales of goods attributable to the Group's largest customer	2%
Percentage of revenue from sales of goods attributable to the Group's five largest customers	7%

Jieli Logistics, a connected person of our Company, is the one of top five customers.

Save for the above, none of the Directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) has an interest in the major suppliers or customers noted above.

RELATED PARTY TRANSACTIONS

Other related party transactions disclosed in notes 26(a), (b) and (c) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during 2017 and are regarded as "de minimis transactions" pursuant to the Listing Rules. In respect of such connected transactions, no matter is required to be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

DIRECTORS

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

Executive Directors

Mr. Zhao Jinmin *(Chairman)* (appointed on 19 December 2016)
Mr. Liu Yingwu (appointed on 16 March 2017)
Mr. Wang Qingguo (appointed on 16 March 2017)
Mr. Xu Huilin *(Chief Executive Officer)* (appointed on 16 March 2017)

Independent Non-executive Directors

Ms. Su Dan (appointed on 1 September 2017)
Mr. Yu Chen (appointed on 1 September 2017)
Mr. Lau Ying Kit (appointed on 1 September 2017)

In accordance with the Articles, one third of the Directors for the time being shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Also, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the Directors eligible for re-election and the notice of annual general meeting will be sent to shareholders of the Company in due course.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 37 to 39 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

There are no changes to the Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2017 are set out in notes 8 and 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report and in the Prospectus, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report and in the Prospectus, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2017 or at any time during the financial year ended 31 December 2017.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing from 1 April 2017, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing from 1 September 2017, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than three months' prior notice in writing.

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding in the Company
Mr. Zhao Jinmin ("Mr. Zhao") *(Note 1)*	Interest of a controlled corporation	130,148,240 (long position)	55.50%
Mr. Liu Yingwu ("Mr. Liu") *(Note 2)*	Interest of a controlled corporation	17,587,600 (long position)	7.50%
Mr. Wang Qingguo ("Mr. Wang") *(Note 3)*	Interest of a controlled corporation	1,758,760 (long position)	0.75%

Notes:

(1) The said shares were held in the name of Golden Truth Holdings Limited ("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 shares in which Golden Truth is interested.

(2) The said shares were held in the name of Heroic Year Limited ("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 shares in which Heroic Year is interested.

(3) The said shares were held in the name of Noble Praise Investments Limited ("Noble Praise"). Noble Praise is wholly owned by Mr. Wang, an executive Director. By virtue of the SFO, Mr. Wang is deemed to be interested in the shares in which Noble Praise is interested.

Long Position in the Shares of the Associated Corporations

Name of Director	Relevant Company	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of shareholding in the company
Mr. Zhao Jinmin	Golden Truth Holdings Limited	Beneficial owner	100	100%

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2017 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Substantial shareholders

Name of Shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of shareholding in our Company
Golden Truth *(Note 1)*	Beneficial owner	130,148,240	55.50%
Ji Yuanyuan *(Note 2)*	Interest of spouse	130,148,240	55.50%
Dynamic Fame Global Limited *(Note 3)*	Beneficial owner	26,381,400	11.25%
Xu Hang *(Note 3)*	Interest of controlled corporation	26,381,400	11.25%
Heroic Year *(Note 4)*	Beneficial owner	17,587,600	7.50%
Ma Dan *(Note 5)*	Interest of spouse	17,587,600	7.50%

Notes:

1. *Golden Truth is wholly owned by Mr. Zhao, the chairman of the Company and an executive Director.*

2. *Ji Yuanyuan is the spouse of Mr. Zhao. By virtue of the SFO, Ji Yuanyuan is deemed to be interested in the shares in which Mr. Zhao is interested.*

3. *The said shares were held in the name of Dynamic Fame Global Limited ("Dynamic Fame"). Dynamic Fame is wholly owned by Xu Hang. By virtue of the SFO, Xu Hang is deemed to be interested in the shares in which Dynamic Fame is interested.*

4. *Heroic Year is wholly owned by Mr. Liu, an executive Director.*

5. *Ma Dan is the spouse of Mr. Liu. By virtue of the SFO, Ma Dan is deemed to be interested in the shares in which Mr. Liu is interested.*

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The terms of the Share Option Scheme approved and adopted by the Company on 21 September 2017 (the "Share Option Scheme") are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable to the Company and its subsidiaries to recruit and retain high-calibre employees.

The Directors may, at their discretion, offer eligible persons (being full time or part time employees, executive directors, non-executive directors and independent non-executive directors or consultant of the Group or any person whom the Board considers, in its sole discretion, has contributed or contributes to the Group) who the Board may in its absolute discretion select to subscribe the shares.

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing equivalent to 23,450,200 shares of the Company, which is 10% of the issued share capital of the Company as at the date of this annual report.

The total number of shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the shares in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12-month period must not exceed 1% of the shares in issue as at the date of grant.

The vesting periods, exercise periods and vesting conditions maybe specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant.

At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The amount payable by a grantee on acceptance of a grant of options is HK$1.00. The subscription price for the shares of the Company being the subject of the options shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The Share Option Scheme will expire on 20 September 2027. No options have been granted under the Share Option Scheme as at 31 December 2017, or as at the date of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is determined by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2017.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year ended 31 December 2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES

The Group is committed to promoting awareness and decisions that contribute to achieving environmentally sustainable development. We will comply fully with all applicable environmental laws and regulations. We will use fuel, water and other natural resources efficiently and conservatively. We recognise this to be a continuous process of improvement and we seek to actively look for environmental friendly options and carry out environmental friendly practices whenever appropriate and possible.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHERS

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the reporting period, our staffs continuously pursue training and career development through our training system.

Customers' feedback and advice could be taking into account via customer communication channel.

The Group uses suppliers that reflect its values and commitment. The Group has policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders has made an annual declaration in respect of their compliance with the terms of non-competition undertaking. Details of the non-competition undertaking are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders of the Company have complied with the non-competition undertaking and the non-competition undertaking for the period set forth in the paragraph above has been enforced by the Company in accordance with its terms.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

During the year, members of the Group have entered into continuing connected transactions with connected persons, details of which are subject to the reporting requirements under rule 14A.71 of the Listing Rules and are summarised herein below. The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as below in accordance with Main Board Listing Rule 14A.56. The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the above-mentioned continuing connected transactions and the actual amount incurred for the period from the Listing Date to 31 December 2017 or as at 31 December 2017 are summarized as follows:

	For the period from the Listing Date to 31 December 2017
Supply of gas transportation services (Annual Cap: RMB4.1 million)	
Supply of gas transportation services for 3 years by Jieli Logistics to our Group in consideration for the payment of transportation service fee. The agreement was entered on 19 September 2017. Details of the transactions are set out in the section headed "Connected Transactions" of the Prospectus.	RMB1.3 million
Acquisition of gas transportation vehicles (Annual cap: RMB1 million)	
Acquisition of gas transportation vehicles by our Group from Jieli Logistics and Changchun Yitonghe. The agreement was entered on 19 September 2017. Details of the transactions are set out in the section headed "Connected Transactions" of the Prospectus.	RMBNil

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge information and belief of the Directors, at least 25% of the Company's total issued share capital was held by the public, for the period from the Listing Date to the date of this annual report.

AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2017. KPMG will retire and, being eligible, will offer itself for re-appointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

IMPORTANT EVENTS THAT HAVE OCCURRED SINCE THE END OF 31 DECEMBER 2017

On 19 January 2018, Changchun Sinogas, an indirect wholly-owned subsidiary of the Company, as purchaser, and Changchun Yitonghe as vendor, entered into the sale and purchase agreement, pursuant to which Changchun Sinogas acquired the entire equity interests in Jieli Logistics at the consideration of RMB15,250,549.

On 19 January 2018, Jieli Logistics and Changchun Yitonghe entered into the cooperation agreement, pursuant to which (i) Changchun Yitonghe will lease its gas transportation vehicles to Jieli Logistics, (ii) Changchun Yitonghe will lease its office premises to Jieli Logistics and (iii) Changchun Yitonghe (for itself and its subsidiaries (the "Yitonghe Group")) will supply fuel oil at the oil refuelling stations operated by them to Jieli Logistics.

On 19 January 2018, Jieli Logistics as service provider and Changchun Yitonghe (for itself and on behalf of other members of the Yitonghe Group, their respective branch companies and refuelling stations owned, controlled and/or operated by them) as service recipient entered into the petroleum transportation service agreement, pursuant to which Jieli Logistics will provide petroleum transportation service through the petroleum transportation vehicles owned by Jieli Logistics at such time and to such locations as requested by the relevant service recipient in consideration of payment of transportation service fee.

On 19 January 2018, Jieli Logistics and Changchun Yitonghe entered into the management agreement, pursuant to which Jieli Logistics will operate and manage the petroleum transportation vehicles for Changchun Yitonghe in consideration of payment of management fee.

For the details of the transactions mentioned above, please refer to the Company's announcements dated 19 January 2018, 9 February 2018 and 6 March 2018, and the Company's circular dated 14 February 2018 respectively.

On behalf of the Board
Zhao Jinmin
Chairman

26 March 2018

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Shareholders of United Strength Power Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of United Strength Power Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 99, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Assessment of the potential impairment of the property, plant and equipment and lease prepayments attributable to refuelling stations **Refer to Notes 11 and 12 to the consolidated financial statements and the accounting policies in Note 2(h)(ii).** **The Key Audit Matter**	**How the matter was addressed in our audit**
In view of the unexpected fluctuation of compressed natural gas ("CNG"), liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") prices during the year ended 31 December 2017, management considered that there were indicators that the Group's property, plant and equipment and lease prepayments attributable to refuelling stations may be impaired as at 31 December 2017. Management performs impairment assessments of the property, plant and equipment and lease prepayments attributable to the Group's refuelling stations whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Each refuelling station operated by the Group has been identified as a separate cash-generating unit ("CGU") for impairment assessment purposes. For those CGUs where an indicator of impairment was identified, management compares the carrying amount of the property, plant and equipment allocated to each CGU with the respective recoverable amount, which is estimated by preparing a discounted cash flow forecast, to determine the amount of impairment loss, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in determining the relevant inputs to the discounted cash flow forecasts and the assumptions adopted therein, including forecast selling prices and purchase prices of CNG, LPG and LNG, forecast expenses and the discount rates applied.	Our audit procedures to assess the potential impairment of the property, plant and equipment and lease prepayments attributable to refuelling stations included the following: • assessing management's identification of indicators of potential impairment of the property, plant and equipment and lease prepayments attributable to refuelling stations, identification of the CGUs, the allocation of assets to each CGU and the methodology adopted in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group's refuelling station business and the requirements of the prevailing accounting standards; • assessing the appropriateness of the using of the value in use model for determining the recoverable amounts; • assessing management's discounted cash flow forecasts for those CGUs where impairment indicators were noted by comparing the key assumptions adopted by management, in particular, forecast selling prices and purchase prices of CNG, LPG and LNG and forecast expenses, with our understanding, experience and knowledge of the Group's refuelling station business and the CNG, LPG and LNG industry in general;

KEY AUDIT MATTERS (continued)

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

Refer to Notes 11 and 12 to the consolidated financial statements and the accounting policies on in Note 2(h)(ii).

The Key Audit Matter	How the matter was addressed in our audit
We identified assessment of the potential impairment of the property, plant and equipment and lease prepayments attributable to refuelling stations as a key audit matter because the impairment assessments involve the exercise of significant management judgement, particularly in forecasting selling prices and purchase price of CNG, LPG and LNG, forecasting expenses and determining the appropriate discount rates, all of which could be subject to management bias in their selection.	• comparing the forecast selling prices and purchase prices of CNG, LPG and LNG with external market data; • comparing key financial data, including revenue, cost of sales and expenses, in the cash flow forecasts with the budgets approved by the board of directors; • comparing the actual results for the current year with management's estimates in their cash flow forecasts prepared in the previous year to assess the historical accuracy of the management's forecasting process; • engaging our internal valuation specialists to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range of those adopted by other companies in the same industry; • performing sensitivity analyses of the key assumptions adopted by management, including forecast selling prices and purchase prices of CNG, LPG and LNG, forecast expenses and the discount rates applied, to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of the property, plant and equipment and lease prepayments attributable to refuelling stations with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017 *(Expressed in Renminbi ("RMB"))*

	Note	**2017 RMB'000**	2016 RMB'000
Revenue	*4*	**215,411**	274,605
Cost of sales	*6(c)*	**(135,305)**	(187,607)
Gross profit		**80,106**	86,998
Other income	*5*	**5,875**	6,264
Staff costs	*6(b)*	**(20,673)**	(14,057)
Depreciation and amortisation expenses	*6(c)*	**(11,510)**	(10,080)
Operating lease charges	*6(c)*	**(2,941)**	(4,519)
Other operating expenses		**(8,563)**	(15,515)
Profit from operations		**42,294**	49,091
Finance costs	*6(a)*	**(426)**	(583)
Costs incurred in connection with the initial listing of the Company's shares		**(21,339)**	(3,229)
Profit before taxation	*6*	**20,529**	45,279
Income tax	*7*	**(12,004)**	(10,653)
Profit for the year		**8,525**	34,626
Attributable to:			
Equity shareholders of the Company		**7,435**	34,186
Non-controlling interests		**1,090**	440
Profit for the year		**8,525**	34,626
Earnings per share			
– Basic and diluted (RMB cents)	*10*	**3.95**	19.44

The notes on pages 62 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 *(Expressed in RMB)*

	2017 RMB'000	2016 RMB'000
Profit for the year	**8,525**	34,626
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**(241)**	(49)
Total comprehensive income for the year	**8,284**	34,577
Attributable to:		
Equity shareholders of the Company	**7,194**	34,137
Non-controlling interests	**1,090**	440
Total comprehensive income for the year	**8,284**	34,577

The notes on pages 62 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 *(Expressed in RMB)*

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**51,230**	57,193
Lease prepayments	*12*	**44,129**	45,506
Deferred tax assets	*22(b)*	**2,974**	5,336
		98,333	108,035
Current assets			
Inventories	*14*	**1,311**	1,648
Trade receivables	*15*	**1,113**	700
Prepayments, deposits and other receivables	*16*	**14,161**	20,182
Amounts due from related parties	*17*	**–**	49,098
Income tax recoverable	*22(a)*	**929**	130
Cash and cash equivalents	*18*	**145,524**	25,616
		163,038	97,374
Current liabilities			
Bank loans	*19*	**15,000**	15,000
Trade payables	*20*	**1,391**	1,990
Accrued expenses and other payables	*21*	**19,830**	31,111
Amounts due to related parties	*17*	**–**	8,319
Income tax payable	*22(a)*	**1,994**	1,302
		38,215	57,722
Net current assets		**124,823**	39,652
Total assets less current liabilities		**223,156**	147,687
Non-current liabilities			
Deferred tax liabilities	*22(b)*	**7,998**	5,034
NET ASSETS		**215,158**	142,653

The notes on pages 62 to 99 form part of these financial statements.

	Note	**2017 RMB'000**	2016 RMB'000
CAPITAL AND RESERVES	*23*		
Share capital		**19,794**	–
Reserves		**188,827**	137,404
Total equity attributable to equity shareholders of the Company		**208,621**	137,404
Non-controlling interests		**6,537**	5,249
TOTAL EQUITY		**215,158**	142,653

Approved and authorised for issue by the board of directors on 26 March 2018.

Zhao Jinmin
Chairman

Xu Huilin
Director

The notes on pages 62 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017 *(Expressed in RMB)*

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 *(Note 23(c))*	Other reserve RMB'000 *(Note 23(d)(ii))*	Statutory reserve RMB'000 *(Note 23(d)(iii))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016	–	65,291	2,819	–	35,157	103,267	4,809	108,076
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)
Total comprehensive income	–	–	–	(49)	34,186	34,137	440	34,577
Issuance of share *(Note 23(c)(ii))*	–	–	–	–	–	–	–	–
Balance at 31 December 2016	–	65,291	2,819	(49)	69,343	137,404	5,249	142,653

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 23(c))*	Share premium RMB'000 *(Note 23(d)(i))*	Other reserve RMB'000 *(Note 23(d)(ii))*	Statutory reserve RMB'000 *(Note 23(d)(iii))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	–	–	65,291	2,819	(49)	69,343	137,404	5,249	142,653
Changes in equity for 2017:									
Profit for the year	–	–	–	–	–	7,435	7,435	1,090	8,525
Other comprehensive income for the year	–	–	–	–	(241)	–	(241)	–	(241)
Total comprehensive income	–	–	–	–	(241)	7,435	7,194	1,090	8,284
Issuance of share *(Note 23(c)(ii))*	–	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)
Capitalisation issue *(Note 23(c)(iii))*	14,849	(14,849)	–	–	–	–	–	–	–
Issuance of shares by initial public offering *(Note 23(c)(iv))*	4,945	114,886	–	–	–	–	119,831	–	119,831
	19,794	120,037	(75,808)	–	–	–	64,023	198	64,221
Balance at 31 December 2017	19,794	120,037	(10,517)	2,819	(290)	76,778	208,621	6,537	215,158

The notes on pages 62 to 99 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017 *(Expressed in RMB)*

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		**20,529**	45,279
Adjustments for:			
Depreciation and amortisation	*6(c)*	**11,510**	10,080
Net (gain)/loss on disposal of property, plant and equipment	*5*	**(132)**	161
Finance costs	*6(a)*	**426**	583
Interest income	*5*	**(282)**	(38)
Changes in working capital:			
Decrease/(increase) in inventories		**337**	(313)
(Increase)/decrease in trade receivables		**(413)**	561
Decrease/(increase) in prepayments, deposits and other receivables		**1,935**	(1,144)
Decrease in trade payables		**(599)**	(785)
(Decrease)/increase in accrued expenses and other payables		**(3,945)**	3,180
Cash generated from operations		**29,366**	57,564
Income tax paid	*22(a)*	**(6,785)**	(11,216)
Net cash generated from operating activities		**22,581**	46,348
Investing activities			
Payments for purchase of property, plant and equipment and land use rights		**(12,374)**	(6,975)
Proceeds from disposal of property, plant and equipment		**167**	1,077
Payments for the purchase of available-for-sale investments		**(605,670)**	–
Proceeds from disposal of available-for sale investments		**605,836**	–
Payments for acquisition of subsidiaries in connection with the Reorganisation (as defined in Note 2(b))	*23(d)(ii)*	**(75,808)**	–
Interest received		**116**	38
Net cash used in investing activities		**(87,733)**	(5,860)

The notes on pages 62 to 99 form part of these financial statements.

	Note	**2017 RMB'000**	2016 RMB'000
Financing activities			
Proceeds from issuance of shares	*23(c)(ii)*	**20,000**	–
Proceeds from issuance of shares by initial public offering, net of share issuance expenses	*23(c)(iv)*	**123,917**	(4,086)
Proceeds from new bank loans		**30,000**	15,000
Repayment of bank loans		**(30,000)**	(20,000)
Distributions paid		**–**	(1,000)
Net decrease/(increase) in amounts due from related parties		**40,779**	(26,660)
Interest paid		**(463)**	(597)
Net cash generated from/(used in) financing activities		**184,233**	(37,343)
Net increase in cash and cash equivalents		**119,279**	3,145
Cash and cash equivalents at 1 January	*18(a)*	**25,616**	22,471
Effect of foreign exchange rate changes		**629**	–
Cash and cash equivalents at 31 December	*18(a)*	**145,524**	25,616

The notes on pages 62 to 99 form part of these financial statements.

1 CORPORATE 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 shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2017. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the sale of natural gas to vehicular end-users by operating refuelling stations.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

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. Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed on 15 March 2017 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were controlled 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 consolidated financial statements for the years ended 31 December 2017 and 2016 have been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale investments which are stated at their fair values (see Note 2(e)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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

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

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

(c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 18(b) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

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

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

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

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

(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)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 years.

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (continued)

(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;

– prepaid interests in leasehold land classified as being held under an operating lease; and

– Investment in a subsidiary in the Company's statement of financial position.

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

– Calculation of recoverable amount

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

– 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 years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax

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

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

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

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

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) Render of services

Revenue from the render of services is recognised when the related services are rendered.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition (continued)

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 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 asset and could result in additional impairment charge or reversal of impairment in future years.

(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. 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 People's Republic of China (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

	2017 RMB'000	2016 RMB'000
Rental income from operating leases	**3,263**	5,015
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party	**1,100**	1,100
Net gain/(loss) on disposal of property, plant and equipment	**132**	(161)
Government grants	**103**	44
Interest income	**282**	38
Others	**995**	228
	5,875	6,264

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2017 RMB'000	2016 RMB'000
Interests on bank loans	**426**	583

No borrowing costs have been capitalised during the year ended 31 December 2017 (2016: RMBNil).

(b) Staff costs:

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**18,788**	12,365
Contributions to defined contribution retirement plans	**1,885**	1,692
	20,673	14,057

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 obligations for payment of other retirement benefits beyond the above contributions.

6 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2017 RMB'000	2016 RMB'000
Depreciation and amortisation *(Notes 11 and 12)*	**11,510**	10,080
Operating lease charges in respect of property, plant and equipment and land use rights	**2,941**	4,519
Auditors' remuneration – audit services	**2,450**	200
Cost of inventories *(Note 14(b))*	**135,305**	187,607

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017 RMB'000	2016 RMB'000
Current tax *(Note 22(a))*		
Provision for the year	**6,678**	11,568
Deferred tax *(Note 22(b))*		
– Origination and reversal of temporary differences	**2,026**	(915)
– Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**3,300**	–
	5,326	(915)
	12,004	10,653

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**20,529**	45,279
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**6,719**	11,589
Tax effect of non-deductible expenses	**4,110**	585
Tax concessions *(Note (iv))*	**(2,125)**	(1,521)
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group *(Note (v))*	**3,300**	–
Actual tax expense	**12,004**	10,653

Notes:

(i) The Company and a subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2017 (2016: 16.5%).

(ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the year ended 31 December 2017 (2016: 25%).

(iv) 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% for the year ended 31 December 2017 (2016: 15%).

(v) One of the subsidiaries of the Group established in the PRC intended to distribute RMB33,000,000 to its immediate holding company, United Strength Power HK Limited. Pursuant to the Sino-Hong Kong Double Tax Arrangement, the above dividend is subject to a PRC Withholding Tax rate of 10%. Accordingly, a deferred tax liability of RMB3,300,000 has been recognised at 31 December 2017.

8 DIRECTORS' EMOLUMENTS

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

	2017				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Zhao Jinmin	–	202	–	40	242
Mr Liu Yingwu	–	202	–	40	242
Mr Wang Qingguo	–	202	–	40	242
Mr Xu Huilin	–	1,172	121	40	1,333
Independent non-executive directors					
Ms Su Dan	61	–	–	–	61
Mr Yu Chen	61	–	–	–	61
Mr Lau Ying Kit	61	–	–	–	61
	183	1,778	121	160	2,242

	2016				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Zhao Jinmin	–	–	–	–	–

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.

On 21 September 2017, Ms Su Dan, Mr Yu Chen and Mr Lau Ying Kit were appointed as independent non-executive directors of the Company.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: none) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2016: five) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, discretionary bonuses and other emoluments	**1,354**	643
Retirement scheme contributions	**51**	37
	1,405	680

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:

	2017 Number of individuals	2016 Number of individuals
HK$Nil – HK$1,000,000	**3**	5

10 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2017 is calculated based on the profit attributable to equity shareholders of the Company of RMB7,435,000 and the weighted average of 188,244,000 ordinary shares, comprising:

(i) 1,000 ordinary shares in issue as at the date of the prospectus of the Company dated 29 September 2017 (the "Prospectus") and 175,875,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 175,876,000 ordinary shares were outstanding throughout the year ended 31 December 2017; and

(ii) 58,626,000 ordinary shares issued on 16 October 2017 by initial public offering.

The basic earnings per share for the year ended 31 December 2016 is calculated based on the profit attributable to equity shareholders of the Company of RMB34,186,000 and the weighted average of 175,876,000 ordinary shares, comprising 1,000 ordinary shares in issue as at the date of the Prospectus and 175,875,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 175,876,000 ordinary shares were outstanding throughout the year ended 31 December 2016.

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2017 and 2016 are as follows:

	2017 '000	2016 '000
Issued ordinary shares at 1 January	**1**	–
Effect of shares issued as at the date of the Prospectus *(Note 23(c)(ii))*	**–**	1
Effect of capitalisation issue on the completion of the initial public offering *(Note 23(c)(iii))*	**175,875**	175,875
Effect of shares issued by initial public offering on 16 October 2017 *(Note 23(c)(iv))*	**12,368**	–
Weighted average number of ordinary shares at 31 December	**188,244**	175,876

10 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2017 and 2016.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Refuelling equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 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	24,964	51,452	17,260	674	94,350
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	5,815	24,649	6,693	–	37,157
Carrying amount:					
At 31 December 2016	19,149	26,803	10,567	674	57,193
Cost:					
At 1 January 2017	**24,964**	**51,452**	**17,260**	**674**	**94,350**
Additions	**–**	**2,585**	**1,620**	**–**	**4,205**
Disposals	**–**	**–**	**(648)**	**–**	**(648)**
At 31 December 2017	**24,964**	**54,037**	**18,232**	**674**	**97,907**
Accumulated depreciation:					
At 1 January 2017	**5,815**	**24,649**	**6,693**	**–**	**37,157**
Charge for the year	**1,240**	**5,919**	**2,974**	**–**	**10,133**
Written back on disposals	**–**	**–**	**(613)**	**–**	**(613)**
At 31 December 2017	**7,055**	**30,568**	**9,054**	**–**	**46,677**
Carrying amount:					
At 31 December 2017	**17,909**	**23,469**	**9,178**	**674**	**51,230**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) At 31 December 2017, property certificates of certain properties with carrying amounts of RMB125,000 (2016: RMB436,000) are yet to be obtained. At 31 December 2017, the Group is in the process of applying for the ownership certificates for these properties. The ultimate controlling party of the Company, Mr Zhao Jinmin has undertaken to procure the obtaining of the title documents for the above mentioned properties. If these title documents could not be obtained, Mr Zhao Jinmin agreed to indemnify the Group for all the losses and damages arising therefrom.

(b) 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 options to renew the leases at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2017, the aggregate carrying amounts of the properties (buildings and land use rights) and equipment leased out amounted to RMB5,247,000 (2016: RMB7,275,000).

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

	2017 RMB'000	2016 RMB'000
Within 1 year	**2,887**	2,884
After 1 year but within 5 years	**3,912**	6,239
After 5 years	**3,974**	4,534
	10,773	13,657

12 LEASE PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January	**50,145**	38,634
Additions	**–**	11,511
At 31 December	**50,145**	50,145
Accumulated amortisation:		
At 1 January	**4,639**	3,518
Charge for the year	**1,377**	1,121
At 31 December	**6,016**	4,639
Carrying amount:		
At 31 December	**44,129**	45,506

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.

At 31 December 2017, land use right certificates of certain land use rights with carrying amounts of RMB9,592,000 (2016: RMB11,164,000) are yet to be obtained. At 31 December 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.

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

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

			Percentage of ownership interest			
Name of company	Place and date of establishment/ incorporation	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Jilin Dongkun Gas Company Limited (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 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
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
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
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
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
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
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
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
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
United Strength Power International Limited***	The British Virgin Islands 4 January 2017	100 shares of United States dollar 1 each	100%	100%	–	Investment holding
United Strength Power HK Limited***	Hong Kong 17 January 2017	1 share	100%	–	100%	Investment holding

13 INVESTMENTS IN SUBSIDIARIES (continued)

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 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.

	2017 RMB'000	2016 RMB'000
NCI percentage:		
– Jilin Clean Energy	**49%**	49%
– Shenyang United Strength Investment Management Company Limited ("Shenyang United Strength") *(Note (i))*	**0%**	45%
– Yanbian United Strength	**40%**	40%
Non-current assets	**5,376**	6,178
Current assets	**20,523**	20,378
Current liabilities	**(12,743)**	(16,080)
Net assets	**13,156**	10,476
Net assets attributable to NCI	**6,537**	5,249

	2017 RMB'000	2016 RMB'000
Revenue	**48,132**	77,402
Profit and total comprehensive income for the year	**2,239**	716
Profit and total comprehensive income attributable to NCI	**1,090**	440

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.

14 INVENTORIES

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

	2017 RMB'000	2016 RMB'000
Gases	**777**	654
Spare parts	**534**	994
	1,311	1,648

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

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**135,305**	187,607

15 TRADE RECEIVABLES

All of the trade receivables, net of allowance for doubtful debts (if any), are due from third parties and are expected to be recovered within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts (if any), is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**1,113**	700

Further details on the Group's credit policy are set out in Note 24(a).

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**1,113**	700

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

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments for purchase of inventories and services from:		
– related parties	**3,112**	5,994
– third parties	**6,343**	5,989
	9,455	11,983
Prepayments for entrustment fee in connection with gas refuelling stations entrusted from third parties	**3,177**	–
Advances to staff	**65**	79
Prepayments for costs incurred in connection with the initial listing of the Company's shares *(Note (i))*	**–**	4,086
Others	**1,464**	4,034
	14,161	20,182

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 December 2016 was transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange on 16 October 2017.

17 AMOUNTS DUE FROM/TO RELATED PARTIES

The non-trade in nature amounts due from/to related parties at 31 December 2016 had been settled on a net-basis prior to the listing of the Company's shares on the Stock Exchange.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	**145,524**	25,616

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.

18 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of assets and liabilities arising from financing activities

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

	Liabilities		Assets	
	Bank loans RMB'000 *(Note 19)*	**Interest payables** RMB'000	**Net amount due from related parties** RMB'000 *(Note 17)*	**Total** RMB'000
At 1 January 2017	15,000	37	40,779	(25,742)
Changes from financing cash flows:				
Proceeds from new bank loans	30,000	–	–	30,000
Repayment of bank loans	(30,000)	–	–	(30,000)
Net decrease in amounts due from related parties	–	–	(40,779)	40,779
Interest paid	–	(463)	–	(463)
Total changes from financing cash flows	–	(463)	(40,779)	40,316
Other changes:				
Finance costs *(Note 6(a))*	–	426	–	426
At 31 December 2017	**15,000**	**–**	**–**	**15,000**

19 BANK LOANS

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

	2017 **RMB'000**	2016 RMB'000
Secured by property, plant and equipment and land use rights of the Group	**15,000**	–
Guaranteed by related parties *(Note 26(b))*	**–**	15,000
	15,000	15,000

At 31 December 2017, the aggregate carrying amounts of the property, plant and equipment and land use rights pledged for the Group's short-term bank loans are RMB7,442,000 (2016: RMBNil).

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 2017, none of the covenants relating to the bank loans had been breached (2016: none).

20 TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables due to:		
– related parties	**–**	289
– third parties	**1,391**	1,701
	1,391	1,990

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

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

	2017 RMB'000	2016 RMB'000
Within 3 months	**1,391**	1,990

21 ACCRUED EXPENSES AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Payables for staff related costs	**495**	2,209
Deposits from customers	**998**	1,032
Payables for entrustment fee in connection with petroleum refuelling stations entrusted to a related party	**160**	–
Payables for acquisitions of property, plant and equipment and land use rights	**9,777**	17,946
Others	**3,026**	5,390
Financial liabilities measured at amortised cost	**14,456**	26,577
Receipts in advance from customers	**5,374**	4,534
	19,830	31,111

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 STATEMENT OF FINANCIAL POSITION

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

	2017 RMB'000	2016 RMB'000
Income tax payable at 1 January, net	**1,172**	820
Provision for the year *(Note 7(a))*	**6,678**	11,568
Income tax paid	**(6,785)**	(11,216)
Income tax payable at 31 December, net	**1,065**	1,172
Representing:		
Income tax payable	**1,994**	1,302
Income tax recoverable	**929**	130

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

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

	Assets		Liabilities		
	Unused tax losses RMB'000	Accruals RMB'000	Fair value adjustments on property, plant and equipment and lease prepayments and subsequent depreciation and amortisation RMB'000	Retained profits to be distributed RMB'000	Net RMB'000
At 1 January 2016	2,527	58	(3,198)	–	(613)
Credited to the consolidated statement of profit or loss *(Note 7(a))*	465	357	93	–	915
At 31 December 2016 and 1 January 2017	**2,992**	**415**	**(3,105)**	**–**	**302**
(Charged)/credited to the consolidated statement of profit or loss *(Note 7(a))*	**(1,805)**	**(312)**	**91**	**(3,300)**	**(5,326)**
At 31 December 2017	**1,187**	**103**	**(3,014)**	**(3,300)**	**(5,024)**

Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

	2017 RMB'000	2016 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**2,974**	5,336
Deferred tax liabilities recognised in the consolidated statement of financial position	**(7,998)**	(5,034)
	(5,024)	302

(c) Deferred tax liabilities not recognised

At 31 December 2017 taxable temporary differences relating to the undistributed profits of the subsidiaries of the Group established in the PRC amounted to RMB74,066,000 at 31 December 2017 (2016: RMB70,421,000), where deferred tax liabilities in respect of the 10% PRC withholding tax that would be payable on the distributions of these profits, have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

Details of the changes of the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 *(Note 23(c))*	Share Premium RMB'000 *(Note 23(d)(i))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Accumulated losses RMB'000	Total RMB'000
At 19 December 2016 (date of incorporation)	–	–	–	–	–
Changes in equity for 2016:					
Loss for the period	–	–	–	(1,078)	(1,078)
Other comprehensive income for the period	–	–	(49)	–	(49)
Total comprehensive income	–	–	(49)	(1,078)	(1,127)
Issuance of share *(Note 23(c)(ii))*	–	–	–	–	–
At 31 December 2016	–	–	(49)	(1,078)	(1,127)
At 1 January 2017	–	–	(49)	(1,078)	(1,127)
Changes in equity for 2017:					
Loss for the year	–	–	–	(21,402)	(21,402)
Other comprehensive income for the year	–	–	(52)	–	(52)
Total comprehensive income	–	–	(52)	(21,402)	(21,454)
Issuance of shares *(Note 23(c)(ii))*	–	20,000	–	–	20,000
Capitalisation issue *(Note 23(c)(iii))*	14,849	(14,849)	–	–	–
Issuance of shares by initial public offering *(Note 23(c)(iv))*	4,945	114,886	–	–	119,831
	19,794	120,037	–	–	139,831
At 31 December 2017	19,794	120,037	(101)	(22,480)	117,250

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2017 RMB'000	2016 RMB'000
Final dividend proposed after the end of the reporting period of HK$0.05 per ordinary share (2016: HK$Nil per ordinary share)	**9,801**	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not recommend the payment of a final dividend for the period ended 31 December 2016.

(c) Share capital

	2017 No. of shares '000	2017 HK$'000	2016 No. of shares '000	2016 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each *(Note 23(c)(i))*	**800,000**	**80,000**	3,800	380

	2017 No. of shares '000	2017 RMB'000	2016 No. of shares '000	2016 RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**–**	**–**	–	–
Issuance of shares *(Note 23(c)(ii))*	**1**	**–**	–	–
Capitalisation issue *(Note 23(c)(iii))*	**175,875**	**14,849**	–	–
Issuance of shares by initial public offering *(Note 23(c)(iv))*	**58,626**	**4,945**	–	–
At 31 December	**234,502**	**19,794**	–	–

(i) Authorised share capital

On 19 December 2016, the Company's date of incorporation, the Company's authorised share capital was HK$380,000, comprising 3,800,000 ordinary shares of HK$0.1 each.

On 21 September 2017, all of the then shareholders of the Company passed resolutions to increase the authorised share capital of the Company from HK$380,000 divided into 3,800,000 shares of HK$0.1 each to HK$80,000,000 divided into 800,000,000 shares of HK$0.1 each.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(ii) Issuance of shares

On 19 December 2016, one share in the Company was allotted and issued, credited as fully paid up.

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.

(iii) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 21 September 2017, the Company allotted and issued 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 on the completion of the initial public offering by way of capitalisation of the sum of HK$17,587,500 (equivalent to approximately RMB14,849,000) standing to the credit of the share premium account of the Company, and these shares rank pari passu in all respects with the shares in issue.

(iv) Issuance of shares by initial public offering

On 16 October 2017, 58,626,000 ordinary shares of HK$0.1 each were issued at a price of HK$2.68 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK$5,863,000 (equivalent to approximately RMB4,945,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses of RMB12,683,000 of approximately HK$136,213,000 (equivalent to approximately RMB114,886,000) were credited to the share premium account.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by 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 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 these financial statements since that date.

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established in the PRC (excluding Hong Kong) required to transfer 10% of their net profit to the statutory reserve until the reserve reaches 50% of the respective 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 respective subsidiaries and is non-distributable other than in liquidation.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(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. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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 2017, 100.0% (2016: 100.0%) of the trade receivables was due from the Group's largest debtor.

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 trade and other receivables are set out in Notes 15 and 16.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(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 table shows the remaining contractual maturities at the end of the 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 the reporting period) and the earliest dates the Group can be required to pay:

	2017		2016	
	Contractual Undiscounted cash outflow within 1 year or on demand RMB'000	**Carrying amount RMB'000**	Contractual Undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount RMB'000
Bank loans	**15,567**	**15,000**	15,707	15,000
Trade payables	**1,391**	**1,391**	1,990	1,990
Accrued expenses and other payables measured at amortised cost	**14,456**	**14,456**	26,577	26,577
Amounts due to related parties	**–**	**–**	8,319	8,319
	31,414	**30,847**	52,593	51,886

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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

	2017		2016	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings	**4.79%**	**15,000**	4.87%	15,000

(d) Fair value measurement of financial instruments

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 at 31 December 2017 and 2016.

25 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Commitments in respect of property, plant and equipment and land use rights:		
– Authorised but not contracted for	**5,082**	6,084

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**1,850**	2,695
After 1 year but within 5 years	**4,544**	5,473
After 5 years	**10,260**	12,056
	16,654	20,224

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

In addition to the transactions and balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

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

	2017 RMB'000	2016 RMB'000
Sales of goods	1,878	2,369
Purchases of goods	2,151	23,809
Transportation and other services received	5,903	20,027
Rental income from operating leases	591	2,359
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party *(Note 5)*	1,100	1,100
Operating lease charges	99	1,992
Entrustment fee in connection with gas refuelling stations entrusted from a related party	1,310	1,350
Carrying amount of property, plant and equipment purchased from a related party	2,069	–
(Decrease)/increase in net amounts due from related parties	(38,779)	27,074
Guarantees provided for the Group's bank loans at the end of the reporting period *(Note 19)*	–	15,000

(b) Transactions with key management personnel of the Group

	2017 RMB'000	2016 RMB'000
(Decrease)/increase in an amount due from a related party	(2,000)	2,000

(c) 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	
	2017 RMB'000	2016 RMB'000
Short-term employee benefits	3,553	749
Contributions to defined contribution retirement scheme	236	47
	3,789	796

Total remuneration is included in "staff costs" in Note 6(b).

26 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions in respect of Notes 26(a) and 26(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Connected Transaction of the Directors' Report or those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

27 COMPANY–LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2017 RMB'000**	2016 RMB'000
Non-current asset			
Investment in a subsidiary	*13*	**1**	–
Current assets			
Amounts due from subsidiaries		**33,657**	–
Prepayments and other receivables		**–**	2,831
Cash and cash equivalents		**83,592**	–
		117,249	2,831
Current liabilities			
Amounts due to a related party		**–**	3,958
		–	3,958
Net current assets/(liabilities)		**117,249**	(1,127)
NET ASSETS/(LIABILITIES)		**117,250**	(1,127)
CAPITAL AND RESERVES	*23*		
Share capital		**19,794**	–
Reserves		**97,456**	(1,127)
TOTAL EQUITY/(TOTAL EQUITY – DEFICIT)		**117,250**	(1,127)

Approved and authorised for issue by the board of directors on 26 March 2018.

Zhao Jinmin
Chairman

Xu Huilin
Director

(Expressed in RMB unless otherwise indicated)

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary from a related party

On 19 January 2018, Changchun Sinogas, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Changchun Yitonghe, pursuant to which Changchun Sinogas will acquire the entire equity interests in Jilin Province Jieli Logistics Company Limited ("Jieli Logistics"), a related party, with a cash consideration of RMB15,250,000. The acquisition was completed on 6 March 2018, and Jieli Logistics became a wholly-owned subsidiary of the Group. Up to the date of issue of these consolidated financial statements, the directors of the Company are in the process of assessing the financial impact of the above acquisition.

(b) Proposed final dividends

On 26 March 2018, the directors of the Company proposed a final dividend. Further details are disclosed in Note 23(b).

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2014–2016 cycle	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards and interpretations 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. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"):

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

(b) 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 either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment on the historical impairment experience, the Group expects the accumulated impairment loss provision, if any, will not materially change.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which is expected to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 2(q). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group expects that the adoption of IFRS 15 will not materially impact how it recognises revenue.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by IFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. Since the number of "open" contracts at 31 December 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of IFRS 15 will not be material. The expected changes in accounting policies as described above will not have a material impact on the Group's financial results from 2018 onwards.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB16,654,000 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate holding company and ultimate controlling party of the Company at 31 December 2017 to be Golden Truth Holdings Limited, which is incorporated in the British Virgin Islands and Mr. Zhao Jinmin, respectively. Golden Truth Holdings Limited does not produce financial statements available for public use.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years. The financial information for the year ended 31 December 2017 is extracted from the financial statements in this annual report while such for 2014, 2015 and 2016 is extracted from the prospectus of the Company dated 29 September 2017.

RESULTS

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**215,411**	274,605	292,127	251,778
Profit before taxation	**20,529**	45,279	35,594	12,681
Income tax	**(12,004)**	(10,653)	(7,334)	(3,517)
Profit for the year	**8,525**	34,626	28,260	9,164
Attributable to:				
Equity shareholders of the Company	**7,435**	34,186	26,190	8,470
Non-controlling interests	**1,090**	440	2,070	694
Profit for the year	**8,525**	34,626	28,260	9,164

ASSETS AND LIABILITIES

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**261,371**	205,409	156,880	164,873
Total liabilities	**46,213**	62,756	48,804	81,477
	215,158	142,653	108,076	83,396
Total equity attributable to equity shareholders of the Company	**208,621**	137,404	103,267	69,375
Non-controlling interests	**6,537**	5,249	4,809	14,021
	215,158	142,653	108,076	83,396