眾誠能源

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

INTERIM REPORT 2018

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CORPORATE INFORMATION

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

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Changchun
Jilin Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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PRINCIPAL BANKERS

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

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AUDITOR
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STOCK CODE
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FINANCIAL HIGHLIGHTS

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	 2017 RMB'000 (unaudited)
Revenue		**153,359**	124,225
Gross profit		**58,390**	55,226
Profit for the period		**16,752**	5,236
Profit attributable to equity shareholders of the Company		**16,358**	4,431
Gross profit margin		**38%**	44%
Earning per share			
— Basic & Diluted (RMB cents)		**6.98**	2.52

		30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (As restated)
Total assets		**295,328**	300,499
Net assets		**222,218**	230,357
Liquidity and Gearing			
Current ratio	*1*	**2.57**	2.89
Quick ratio	*2*	**2.55**	2.86
Gearing ratio	*3*	**25%**	23%

Notes:

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited (Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2018** **RMB'000**	2017 RMB'000 As restated *(Note 2(a)&(b))*
Revenue	*4(a)*	**153,359**	124,225
Cost of sales	*6(c)*	**(94,969)**	(68,999)
Gross profit		**58,390**	55,226
Other income	*5*	**9,380**	4,058
Staff costs	*6(b)*	**(21,139)**	(15,792)
Depreciation and amortisation expenses	*6(c)*	**(8,025)**	(9,032)
Operating lease charges	*6(c)*	**(3,254)**	(3,769)
Other operating expenses		**(12,540)**	(8,114)
Profit from operations		**22,812**	22,577
Finance costs	*6(a)*	**(363)**	(81)
Costs incurred in connection with the initial listing of the Company's shares		**–**	(13,635)
Profit before taxation	*6*	**22,449**	8,861
Income tax	*7*	**(5,697)**	(3,625)
Profit for the period		**16,752**	5,236
Attributable to:			
Equity shareholders of the Company		**16,358**	4,431
Non-controlling interests		**394**	805
Profit for the period		**16,752**	5,236
Earnings per share			
– Basic and diluted (RMB cents)	*8*	**6.98**	2.52

The notes on pages 12 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited (Expressed in RMB)

	Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000 As restated *(Note 2(a)&(b))*
Profit for the period	**16,752**	5,236
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**625**	342
Total comprehensive income for the period	**17,377**	5,578
Attributable to:		
Equity shareholders of the Company	**16,983**	4,773
Non-controlling interests	**394**	805
Total comprehensive income for the period	**17,377**	5,578

The notes on pages 12 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited (Expressed in RMB)

	Note	**At 30 June 2018 RMB'000**	At 31 December 2017 RMB'000 As restated *(Note 2(a)&(b))*
Non-current assets			
Property, plant and equipment	*9*	**78,997**	74,093
Lease prepayments		**45,480**	44,129
Other non-current assets		**956**	–
Deferred tax assets	*15(b)*	**1,857**	2,990
		127,290	121,212
Current assets			
Inventories		**1,449**	1,665
Trade receivables	*10*	**2,789**	7,778
Prepayments, deposits and other receivables	*11*	**67,019**	17,650
Income tax recoverable		**429**	929
Cash and cash equivalents	*12*	**96,352**	151,265
		168,038	179,287
Current liabilities			
Bank loans	*13*	**15,000**	15,000
Trade and bills payables	*14*	**3,283**	21,951
Accrued expenses and other payables		**43,384**	22,545
Income tax payable		**3,613**	2,648
		65,280	62,144
Net current assets		**102,758**	117,143
Total assets less current liabilities		**230,048**	238,355
Non-current liabilities			
Deferred tax liabilities	*15(b)*	**7,830**	7,998
NET ASSETS		**222,218**	230,357

The notes on pages 12 to 34 form part of this interim financial report.

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 As restated *(Note 2(a)&(b))*
CAPITAL AND RESERVES		
Share capital	**19,794**	19,794
Reserves	**195,958**	204,026
Total equity attributable to equity shareholders of the Company	**215,752**	223,820
Non-controlling interests	**6,466**	6,537
TOTAL EQUITY	**222,218**	230,357

The notes on pages 12 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017 (As previously reported)	–	–	65,291	2,819	(49)	69,343	137,404	5,249	142,653
Adjustment in relation to the acquisition of a subsidiary under common control *(Noted 2(a))*	–	–	6,806	–	–	6,354	13,160	–	13,160
Balance at 1 January 2017 (As restated)	–	–	72,097	2,819	(49)	75,697	150,564	5,249	155,813
Changes in equity for the six months ended 30 June 2017:									
Profit for the period	–	–	–	–	–	4,431	4,431	805	5,236
Other comprehensive income for the period	–	–	–	–	342	–	342	–	342
Total comprehensive income	–	–	–	–	342	4,431	4,773	805	5,578
Issuance of share	–	20,000	–	–	–	–	20,000	–	20,000
Effect on equity arising from the completion of a group reorganisation	–	–	(75,808)	–	–	–	(75,808)	198	(75,610)
	–	20,000	(75,808)	–	–	–	(55,808)	198	(55,610)
Balance at 30 June 2017 and 1 July 2017 (As restated)	–	20,000	(3,711)	2,819	293	80,128	99,529	6,252	105,781
Changes in equity for the six months ended 31 December 2017:									
Profit for the period	–	–	–	–	–	5,094	5,094	285	5,379
Other comprehensive income for the period	–	–	–	–	(583)	–	(583)	–	(583)
Total comprehensive income	–	–	–	–	(583)	5,094	4,511	285	4,796
Capitalisation issue	14,849	(14,849)	–	–	–	–	–	–	–
Issuance of shares by initial public offering	4,945	114,886	–	–	–	–	119,831	–	119,831
	19,794	100,037	–	–	–	–	119,831	–	119,831
Balance at 31 December 2017 (As restated)	19,794	120,037	(3,711)	2,819	(290)	85,222	223,871	6,537	230,408

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January (As previously reported)	19,794	120,037	(10,517)	2,819	(290)	76,778	208,621	6,537	215,158
Adjustment in relation to the acquisition of a subsidiary under common control *(Note 2(a))*	–	–	6,806	–	–	8,444	15,250	–	15,250
Impact on initial application of IFRS 9 *(Note 3(b))*	–	–	–	–	–	(51)	(51)	–	(51)
Balance at 1 January 2018 (As restated)	19,794	120,037	(3,711)	2,819	(290)	85,171	223,820	6,537	230,357
Changes in equity for the six months ended 30 June 2018:									
Profit for the period	–	–	–	–	–	16,358	16,358	394	16,752
Other comprehensive income for the period	–	–	–	–	625	–	625	–	625
Total comprehensive income	–	–	–	–	625	16,358	16,983	394	17,377
Dividends approved in respect of the previous year *(Note 16(a))*	–	–	–	–	–	(9,801)	(9,801)	–	(9,801)
Dividends paid by a subsidiary to non-controlling equity owners	–	–	–	–	–	–	–	(465)	(465)
Acquisition of a subsidiary under common control *(Note 2(a))*	–	–	(15,250)	–	–	–	(15,250)	–	(15,250)
	–	–	(15,250)	–	–	(9,801)	(25,051)	(465)	(25,516)
Balance at 30 June 2018	19,794	120,037	(18,961)	2,819	335	91,728	215,752	6,466	222,218

The notes on pages 12 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – unaudited (Expressed in RMB)

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
			As restated
			(Note 2(a))
Operating activities			
Cash (used in)/generated from operations		**(19,956)**	36,315
Income tax paid		**(3,267)**	(3,061)
Net cash (used in)/generated from operating activities		**(23,223)**	33,254
Investing activities			
Payments for purchase of property, plant and equipment and land use rights		**(15,250)**	(11,636)
Payments for acquisition of a subsidiary		**(15,250)**	(75,808)
Other cash flows arising from investing activities		**196**	156
Net cash used in investing activities		**(30,304)**	(87,288)
Financing activities			
Proceeds from issuance of shares		**–**	20,000
Repayment of a bank loan		**–**	(15,000)
Net decrease in amounts due from related parties		**–**	51,766
Other cash flows arising from financing activities		**(828)**	(118)
Net cash (used in)/generated from financing activities		**(828)**	56,648
Net (decrease)/increase in cash and cash equivalents		**(54,355)**	2,614
Cash and cash equivalents at 1 January	*12*	**151,265**	27,219
Effect of foreign exchange rate changes		**(558)**	(61)
Cash and cash equivalents at 30 June	*12*	**96,352**	29,772

The notes on pages 12 to 34 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 and provision of petroleum and gas transportation services.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 28 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2018.

2 BASIS OF PREPARATION (continued)

(a) Acquisition of a subsidiary under common control

On 19 January 2018, Changchun Sinogas Company, Limited. ("Changchun Sinogas"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Changchun Yitonghe Petroleum Distribution Company Limited ("Changchun Yitonghe"), pursuant to which Changchun Sinogas acquired the entire equity interests in Jilin Province Jieli Logistics Company Limited ("Jieli Logistics"), a related party, with a cash consideration of RMB15,251,000. The acquisition was completed on 6 March 2018, and Jieli Logistics became a wholly-owned subsidiary of the Group.

The acquisition of the Jieli Logistics was considered as a business combination under common control as the Group and Jieli Logistics are both ultimately controlled by Mr Zhao Jinmin.

The Group uses merger accounting to account for the business combination of entities and businesses under common control. The unaudited condensed consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The assets and liabilities of the combining entities or businesses are combined using the carrying book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the consideration at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The unaudited condensed consolidated statement of profit or loss and the unaudited condensed consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which they were incurred.

As a result, the Group has restated the 2017 comparative amounts of the unaudited condensed consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income of the Group by including the operating results of Jieli Logistics and eliminating its transactions with the Jieli Logistics, as if the acquisition had been completed on the earliest date of the period being presented, i.e. 1 January 2017. The consolidated statement of financial position of the Group as at 31 December 2017 was restated to include the assets and liabilities of Jieli Logistics.

2 BASIS OF PREPARATION (continued)

(a) Acquisition of a subsidiary under common control (continued)

The following is a reconciliation of the effect arising from the common control combination in connection with the acquisition of Jieli Logistics.

	The Group (as previously reported and audited) RMB'000	Jieli Logistics (unaudited) RMB'000	Elimination (unaudited) RMB'000	The Group (as restated and unaudited) RMB'000
Results of operations for the year ended 31 December 2017:				
Profit for the year	8,525	2,090	–	10,615
Net profit attributable to:				
– Entity shareholders of the Company	7,435	2,090	–	9,525
– Non-controlling interests	1,090	–	–	1,090
Basic and diluted earnings per share (expressed in RMB cent)	3.95	N/A	N/A	5.10
Consolidated Statement of Financial position as of 31 December 2017:				
Non-current assets	98,349	22,863	–	121,212
Current assets	162,971	16,532	(216)	179,287
Current Liabilities	(38,215)	(24,145)	216	(62,144)
Non-current Liabilities	(7,998)	–	–	(7,998)

(b) Initially applied IFRS 15 and IFRS 9

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (Note 3).

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to the measurement of credit losses. Details of the changes in accounting policies are discussed in Note 3(b) for IFRS 9 and Notes 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

Further details of these changes are set out in sub-sections (b) of this note.

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

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

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

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

Retained earnings	RMB'000
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(67)
Related tax	16
Net decrease in retained earnings at 1 January 2018	(51)

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

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

(i) Classification of financial assets and financial liabilities

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

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The measurement categories for all financial liabilities remain the same and the carrying amount for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES (continued)

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

(ii) Credit losses

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

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

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

- lease receivables: discount rate used in the measurement of the lease receivable;

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

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

ECLs are measured on either of the following bases:

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

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

(ii) Credit losses (continued)

Significant increases in credit risk

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

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

failure to make payments of principal or interest on their contractually due dates;

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

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

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

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

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

Basis of calculation of interest income on credit-impaired financial assets

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

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

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets (continued)

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB67,000, which decreased retained earnings by RMB51,000 and increased gross deferred tax assets by RMB16,000 at 1 January 2018.

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

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018 on trade receivables	67
Loss allowance at 1 January 2018 under IFRS 9	67

3 CHANGES IN ACCOUNTING POLICIES (continued)

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

(iii) Transition

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

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

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

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

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018.

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

Timing of revenue recognition

Previously, revenue from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) IFRS 15, Revenue from contracts with customers (continued)

Timing of revenue recognition (continued)

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

– 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;

– 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 three 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 is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

This change in accounting policy had no material impact on opening balances as at 1 January 2018 and the Group's financial results from 2018 onwards.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sales of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services.

Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Disaggregation by major products or service lines		
– sales of natural gas by operating refuelling stations	**130,004**	103,715
– provision of transportation services	**23,355**	20,510
	153,359	124,225

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

The Group's customer base is diversified and includes one customer, Changchun Yitonghe, a related party of the Group, with whom transactions have exceeded 10% of the Group's revenues. For the six months ended 30 June 2018, revenues from provision of transportation services to Changchun Yitonghe amounted to RMB19,895,000 (2017: RMB17,487,000).

Disaggregation of revenue from contracts with customer by timing of revenue recognition is disclosed in Note 4(b).

(b) Segment reporting

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

- Sales of natural gas: this segment provides CNG, LPG and LNG to vehicular end-users by operating refuelling stations;

- Provision of transportation services: this segment provides petroleum and gas transportation services by managing dangerous goods transportation vehicles.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenues attributable to each reportable segment on the following bases:

Revenue are allocated to the reportable segments with reference to sales generated by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating expenses, such as other income and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

	Six months ended 30 June 2018		
	Sales of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Revenue from external customers	**130,004**	**23,355**	**153,359**
Inter-segment revenue	**948**	**5,255**	**6,203**
Reportable segment revenue	**130,952**	**28,610**	**159,562**
Reportable segment profit (gross profit)	**39,187**	**19,203**	**58,390**
Staff costs	**12,419**	**8,720**	**21,139**
Depreciation and amortisation expenses	**4,418**	**3,607**	**8,025**
Operating lease charges	**1,346**	**1,908**	**3,254**

	Six months ended 30 June 2017		
	Sales of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Revenue from external customers	103,715	20,510	124,225
Inter-segment revenue	851	3,344	4,195
Reportable segment revenue	104,566	23,854	128,420
Reportable segment profit (gross profit)	40,280	14,946	55,226
Staff costs	9,284	6,508	15,792
Depreciation and amortisation expenses	5,675	3,357	9,032
Operating lease charges	1,861	1,908	3,769

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Reportable segment profit (gross profit)	**58,390**	55,226
Other income	**9,380**	4,058
Staff costs	**(21,139)**	(15,792)
Depreciation and amortisation expenses	**(8,025)**	(9,032)
Operating lease charges	**(3,254)**	(3,769)
Other operating expenses	**(12,540)**	(8,114)
Finance costs	**(363)**	(81)
Costs incurred in connection with the initial listing of the Company's shares	**–**	(13,635)
Consolidated profit before taxation	**22,449**	8,861

5 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Rental income from operating leases	**1,399**	1,337
Entrustment fee in connection with petroleum stations entrusted to a related party	**550**	550
Management fee in connection with provision of petroleum fleet management service to a related party	**2,000**	2,000
Net loss on disposal of property, plant and equipment	**(14)**	(103)
Realised gains on financial assets at fair value through profit or loss	**101**	81
Foreign exchange losses	**(697)**	–
Government grants	**82**	72
Interest income	**95**	55
Others	**5,864**	66
	9,380	4,058

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interests on bank loans	**363**	81

(b) Staff costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**19,020**	14,179
Contributions to defined contribution retirement plans	**2,119**	1,613
	21,139	15,792

(c) Other items:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Depreciation and amortisation	**8,025**	9,032
Operating lease charges in respect of property, plant and equipment and land use rights	**3,254**	3,769
Reversal of impairment losses on trade receivables	**(58)**	–
Cost of inventories	**86,510**	60,942

7 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
Provision for the period	**4,732**	3,683
Deferred tax *(Note 15(a))*		
Origination and reversal of temporary differences	**965**	(58)
	5,697	3,625

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 six months ended 30 June 2018 (six months ended 30 June 2017: 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 six months ended 30 June 2018 (six months ended 30 June 2017: 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 six months ended 30 June 2018 (six months ended 30 June 2017: 15%).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is calculated based on the profit attributable to ordinary equity shareholders of the company of RMB16,358,000 and the weighted average of 234,502,000 ordinary shares in issue during the interim period.

The basic earnings per share for the six months ended 30 June 2017 is calculated based on the profit attributable to equity shareholders of the Company of RMB4,431,000 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 six months ended 30 June 2017.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2018 and 2017.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB12.3 million (six months ended 30 June 2017: RMB3.5 million). Items of property, plant and equipment with a net book value of approximately RMB14,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB123,000), resulting in a loss on disposal of RMB14,000 (six months ended 30 June 2017: RMB103,000).

10 TRADE RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Trade receivables due from:		
– related parties	**928**	6,733
– third parties	**1,870**	1,112
	2,798	7,845
Less: Allowance for doubtful debts	**(9)**	(67)
	2,789	7,778

All of the trade receivables, net of allowance for doubtful debts (if any), 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:

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Within 1 month	**2,789**	4,241
1 to 3 months	**–**	644
3 to 6 months	**–**	1,511
6 to 12 months	**–**	1,382
	2,789	7,778

(b) Impairment loss on trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifeline expected loss provision for all trade receivables from third parties and related parties.

Expected loss rate of trade receivables from related parties are assessed to be 1%. The loss allowance provision for these balances was not material.

10 TRADE RECEIVABLES (continued)

(b) Impairment loss on trade receivables (continued)

To measure the expected credit loss of trade receivables from third parties, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Since there has not been any history of default payments by existing customers, management considers that the expected credit loss for these balances of trade receivables from third parties what were neither past due nor impaired is close to zero, and no provision for impaired receivables has been made during the six months ended 30 June 2018.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 30 June 2018.

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net RMB'000
Trade receivables				
– from related parties	1%	928	(9)	919
– from third parties				
(current not past due)	–	1,870	–	1,870
		2,798	(9)	2,789

Movements in the loss allowance account in respect of trade receivables during the six months end 30 June 2018 is as follows:

	Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Balance at 31 December under IAS 39	**–**	–
Impact on initial application of IFRS 9 *(Note 3(b))*	**(67)**	–
Adjusted balance at 1 January	**(67)**	–
Impairment losses recognised during the period	**58**	–
Balance at 30 June	**(9)**	–

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Prepayments for purchase of inventories and service from:		
– related parties	**1,758**	4,217
– third parties	**8,451**	7,910
	10,209	12,127
Prepayments for entrustment fee in connection with gas refueling stations entrusted from third parties	**2,077**	3,177
Deposits for LPG related products supply contracts	**54,009**	–
Advances to staff	**237**	387
Others	**487**	1,959
	67,019	17,650

12 CASH AT BANK AND ON HAND

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Cash at bank and on hand	**96,352**	151,265

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.

13 BANK LOAN

The Group's short-term bank loan is analysed as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Secured by property, plant and equipment and land use rights of the Group	**15,000**	15,000

At 30 June 2018, the aggregated carrying amounts of the property, plant and equipment and land use rights pledged for the Group's short-term bank loan are RMB7,213,000 (31 December 2017: RMB7,442,000).

14 TRADE AND BILLS PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Trade payables	**3,283**	1,951
Bills payables	**–**	20,000
	3,283	21,951

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

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

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Within 3 months	**3,283**	1,951
6 to 12 months	**–**	20,000
	3,283	21,951

15 DEFERRED TAX ASSETS AND LIABILITIES

(a) The deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Assets			Liabilities		
	Unused tax losses RMB'000	Accruals RMB'000	Credit loss allowance RMB'000 *Note 3(b)*	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 2017	2,992	415	–	(3,105)	–	302
(Charged)/credited to the consolidated statement of profit or loss	(1,805)	(312)	–	91	(3,300)	(5,326)
At 31 December 2017	1,187	103	–	(3,014)	(3,300)	(5,024)
Impact on initial application of IFRS 9	–	–	16	–	–	16
At 1 January 2018	1,187	103	16	(3,014)	(3,300)	(5,008)
(Charged)/credited to the consolidated statement of profit or loss	(1,022)	26	(15)	46	–	(965)
At 30 June 2018	165	129	1	(2,968)	(3,300)	(5,973)

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

	At 30 June 2018 RMB'000	At 31 December 2017 As Restated RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**1,857**	2,990
Deferred tax liabilities recognised in the consolidated statement of financial position	**(7,830)**	(7,998)
	(5,973)	(5,008)

16 DIVIDENDS

(a) Dividends

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: RMBNil).

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.05 per ordinary share (six months ended 30 June 2017: HK$Nil per ordinary share)	**9,801**	–

17 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 as at 30 June 2018 and 31 December 2017.

18 COMMITMENTS

(a) At 30 June 2018, the outstanding capital commitments not provided for in the interim financial report were as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Commitments in respect of property, plant and equipment and land use rights:		
– Authorised but not contracted for	**11,090**	5,082

18 COMMITMENTS (continued)

(b) At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**1,519**	1,850
After 1 year but within 5 years	**4,938**	4,544
After 5 years	**10,260**	10,260
	16,717	16,654

The Group leases certain land, buildings, equipment and dangerous goods transportation vehicles 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.

19 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

The material related party transactions entered into by the Group during the six months ended 30 June 2018 are set out below.

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales of goods	**50**	54
Provision of services	**22,576**	17,487
Purchases of goods	**7,121**	6,382
Software maintenance services received	**11**	14
Rental income from operating leases	**62**	–
Entrustment fee in connection with petroleum refueling stations entrusted to a related party	**550**	550
Operating lease charges	**1,908**	2,355
Entrustment fee in connection with gas refueling stations entrusted from a related party	**814**	652
Carrying amount of property, plant and equipment purchased from a related party	**–**	2,069
Decrease in net amounts due from related parties	**–**	(42,766)
Guarantees provided for the Group's bank loan at the end of the reporting period	**–**	15,000

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

IFRS 16, Leases

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 18(b), at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB16,717,000 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 Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

The macro economy of China continued to fare well in the first half of 2018. The economic structure was further optimized as bolstered by deepening supply-side structural reform. The GDP of China reached RMB42 trillion in first half of 2018, increasing by 6.8% on a year-on-year basis.

China's energy structure is undergoing profound adjustment, and the transition to green economy is one of the country's key development strategies. The *13th Five-Year Plan for Natural Gas Development* ("***13th Five-Year Plan***") jointly issued by the National Development and Reform Commission ("**NDRC**") and the National Energy Administration has explicated the major task of energy revolution of China, pointing out that clean and low-carbon energy will be the main source of energy supply growth in the future, with the target to increase the share of natural gas in primary energy consumption to 10% and 15% by 2020 and 2023. Meanwhile, the 13th Five-Year Plan emphasized the natural gas utilization policies, such as the project of changing fuel from coal to natural gas in industry and commerce, substituting natural gas for coal in villages and towns of North China, etc., to gradually make natural gas one of the main energy sources, which brings huge development opportunities to China's natural gas industry.

Our Group is a leading operator of CNG refuelling station for vehicles in Jilin Province of China. We run 22 CNG refuelling stations in Northeastern China as at 30 June 2018. Apart from the gas refuelling stations, we have also diversified into the transportation of liquefied petroleum gas and petroleum by relying on the powerful transportation capability of Jieli Logistics which was acquired by the Group during the reporting period, which has brought good returns and is expected to have a lot of room for growth in the future.

Sales of natural gas business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For the first six months of 2018, the Group recorded the sales of natural gas income of RMB130.0 million, representing a year-on-year growth of 25% and accounting for 85% of the total revenue of the same period. During the period, the sales volume of CNG reached 32.4 million cubic meters (2017: 28.2 million cubic meters), representing an increase of 15% as compared with the same period last year. The increase in sales volume was mainly due to more marketing campaigns were carried out to stimulate the sales during the period.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Sales of natural gas business (continued)

The table below shows the location of and product offer at our refuelling stations as at 30 June 2018:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	11	0	0	11
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	1	0	0	1
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	**21**	**4**	**1**	**26**
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:	**22**	**5**	**1**	**28**

Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For the first six months of 2018, the Group recorded the transportation income of RMB23.4 million, representing a year-on-year growth of 14% and accounting for 15% of the total revenue of the same period.

Currently, Jieli Logistics maintains and manages its fleet of nearly 100 dangerous goods transportation vehicles, including, 20 tractor units, 22 trailers and 23 tractor-trailer trucks (for petroleum transportation); and 8 tractor units and 35 trailers (for gas transportation). In addition to its self-owned vehicles, Jieli Logistics also (i) manages and operates 12 tractor units, 5 trailers and 13 tractor-trailer trucks (for petroleum transportation) for Changchun Yitonghe and (ii) leases a total of 32 tractor units and 27 trailers (for gas transportation) from Changchun Yitonghe and its subsidiaries (the "**Yitonghe Group**") for its operation.

Operating Results

Revenue

The Group's principal business activities are sales of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services. For the six months ended 30 June 2018, the Group's revenue amounted to RMB153.4 million, representing an increase of RMB29.2 million or 24% from RMB124.2 million in the corresponding period in 2017. The increase in revenue was mainly attributable to the increase in the sales volume and unit selling price of the Company's products during the first half of 2018.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Cost of Sales and Gross Profit

The Group's cost of sales mainly 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 and transportation costs. In the six months ended 30 June 2018, the Group's cost of sales increased by approximately 38% to RMB95.0 million from RMB69.0 million in the corresponding period in 2017 due to the combination of (i) the increase in the unit cost of procurement; and (ii) the increase in total purchase of the products as a result of the increase in sales volume of the Company's products during the first half of 2018.

The gross profit for the six months ended 30 June 2018 was RMB58.4 million (2017: RMB55.2 million), with a gross profit margin of 38% (the six months ended 30 June 2017: 44%). The increase in gross profit was mainly attributable to the increase in the sales volume of the Company's products compared with that of the previous year. The decrease in gross profit margin was mainly attributable to the increase in the unit cost of procuring the Company's products compared with that of the previous year.

Other Income

Other income mainly comprises rental income, matched trade agent service income, and management fee. For the six months ended 30 June 2018, other income amounted to RMB9.4 million, representing an increase of RMB5.3 million from RMB4.1 million in the corresponding period in 2017. The increase in other income was mainly attributable to the increase in matched trade agent service income during the first half of 2018.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2018, staff costs amounted to RMB21.1 million, representing an increase of RMB5.3 million from RMB15.8 million in the corresponding period in 2017. The increase in staff costs was principally attributable to the increase in number of staff and average salary payable for staff.

Operating Lease Charges, Other Operating Expenses and Finance Costs

For the six months ended 30 June 2018, the operating lease charge decreased by approximately 13%, from RMB3.8 million in the corresponding period in 2017 to RMB3.3 million in the six months ended 30 June 2018. 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 and administrative expenses increased by 54%, from RMB8.1 million to RMB12.5 million. The increase was mainly attributable to combined effect of the increase in entrustment fees expenses and the increase in legal and professional fees during the period.

Finance costs remained stable.

In respect of the listing of the Company on the Main board of The Stock Exchange of Hong Kong Limited on 16 October 2017 (the "**Listing**"), the Group recognised non-recurring listing expenses of RMB13.6 million in the corresponding period in 2017.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2018 increased by RMB13.5 million, constituting a profit of RMB22.4 million (2017: RMB8.9 million).

1. BUSINESS AND FINANCIAL REVIEW (continued)

Income Tax

In the six months ended 30 June 2018, income tax increased by RMB2.1 million, or approximately 58%, to RMB5.7 million from RMB3.6 million in the corresponding period in 2017. Such increase was mainly due to higher profit recorded during the period.

Non-controlling Interests

In the six months ended 30 June 2018, non-controlling interests amounted to RMB0.4 million, representing a decrease of RMB0.4 million, or 50%, from RMB0.8 million in the corresponding period in 2017 primarily due to a decrease in profit contribution from the refuelling stations under Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited.

Profit for the Period

For the six months ended 30 June 2018, the net profit of the Group amounted to RMB16.8 million, representing an increase of RMB11.6 million from RMB5.2 million in the corresponding period in 2017.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2018. Total assets decreased by approximately 2% to RMB295.3 million (31 December 2017: approximately RMB300.5 million) while total equity decrease by approximately 4% to RMB222.2 million (31 December 2017: approximately RMB230.4 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2018 amounted to RMB15.3 million and capital commitments as at 30 June 2018 amounted to RMB11.1 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 30 June 2018 and 31 December 2017 are summarised below:

	30 June 2018		31 December 2017	
	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**	15,000	100
Interest rate structure – fixed-rate borrowings	**15,000**	**100**	15,000	100
Interest rate – fixed-rate borrowings		**4.79%**		4.79%

As at 30 June 2018, the Group's gearing ratio was approximately 25% (31 December 2017: 23%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2018 and 31 December 2017 respectively. The gearing ratio remained stable.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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 / IPO proceeds not utilized		Amount to be used as disclosed in the Prospectus	
	HK$'000	(%)	HK$'000	(%)
Finance the expansion of our CNG refuelling station network	3,025	(2%)	129,330	(90%)
Strengthen our marketing and promotion strategies	121	(0%)	7,185	(5%)
General working capital	7,185	(5%)	7,185	(5%)
IPO proceeds not utilized	133,369	(93%)	N/A	N/A
Total	**143,700**	**(100%)**	**143,700**	**(100%)**

As at 30 June 2018, HK$10.3 million (equivalent to approximately RMB8.7 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 "**Prospects**"). During the period ended 30 June 2018, part of the proceeds in the amount of HK$19.1 million was used for short term and transitional funding needs of the Group's business operation and development. The Directors confirmed that such business operation and development was transitional in nature and all the relevant funds have been restored as IPO proceeds in July 2018. 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 30 June 2018, the Group's bank loan of RMB15 million was secured by property, plant and equipment and land use rights with an aggregate carrying value of approximately RMB7.2 million.

Contingent Liabilities

As at the date of this Interim Report and as at 30 June 2018, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2018, the Group had 497 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 30 June 2018, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

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 RMB15,251,000. 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.

Save as disclosed in this Interim Report, the Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2018.

Foreign Exchange Risk Management

The Group's sales and purchases during the 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.

2. BUSINESS PROSPECTS

Though China experienced a natural gas shortage in the heating season of 2017, the goal of improving air quality and achieving green and low-carbon development will not be changed. By the end of 2019, Russian natural gas will be introduced to China, going through Changling County of Jilin Province and then integrated into the main pipeline. With the increase of upstream gas source and the demand for gas in a rising cycle, China's natural gas industry is bound to embrace rapid development. Policies related to China's natural gas industry will also accelerate the pace of reform.

The businesses of our Group are in the middle and lower reaches of the natural gas industry chain. As long as the industry is still in an upcycle, the gradually enlarged market will undoubtedly be a boom for the future development of the Group. Two more mother stations have been put into production in Changchun this year, which certainly increases our Group's options and security in procurement. At the same time, the upstream competition may also bring down the purchasing cost of our Group.

Looking ahead to 2018, China will continue to implement ecological civilization construction and the strategy of green and low-carbon energy while comprehensively advancing the supply-side structural reform. Local governments have successively introduced the *13th Five-Year Plan* to call for the application of natural gas in transportation as soon as possible and vigorously support the promotion of gas-fueled vehicles and the construction of gas stations. It will be an irresistible trend that natural gas will replace gasoline and diesel in the future. It is predicted that the number of vehicle natural gas stations will keep growing in 2018. Besides, since the membership of our Group is increasing, the natural gas sales of natural gas stations are expected to increase as well.

With the rapid development of natural gas in China, our Group is confident to foster new momentum for sustainable development through forward-looking management thinking, down-to-earth business strategy, innovation, transition and rebuilding, so as to create new opportunities for the next wave of growth and bring better returns for shareholders.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, 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 30 June 2018, 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 30 June 2018 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 30 June 2018, 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.

SHARE OPTION SCHEME (continued)

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 Interim 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 30 June 2018, or as at the date of this Interim Report.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2018, except the following:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the extraordinary general meeting and annual general meeting of the Company that held on 6 March 2018 and 6 June 2018 respectively due to their overseas commitments.

AUDIT COMMITTEE

The Company established the Audit Committee on 21 September 2017 with written terms of reference in compliance with the CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management and internal control system of the Group. Currently, the Audit Committee comprises Mr. Lau Ying Kit (Chairman), Mr. Yu Chen and Ms. Su Dan, all of whom are independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2018, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include the review of Directors' and senior management's remuneration packages, bonuses and other compensation. Currently, the Remuneration 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.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Corporate CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitability qualified to become members of the Board. Currently, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Having made specific enquiry with all Directors, all the Directors confirmed that they have complied with the Model Code throughout the period under review.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2018.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and bankers for their support to the Group throughout the period.

By Order of the Board
United Strength Power Holdings Limited
Mr. Zhao Jinmin
Chairman

Hong Kong, 28 August 2018