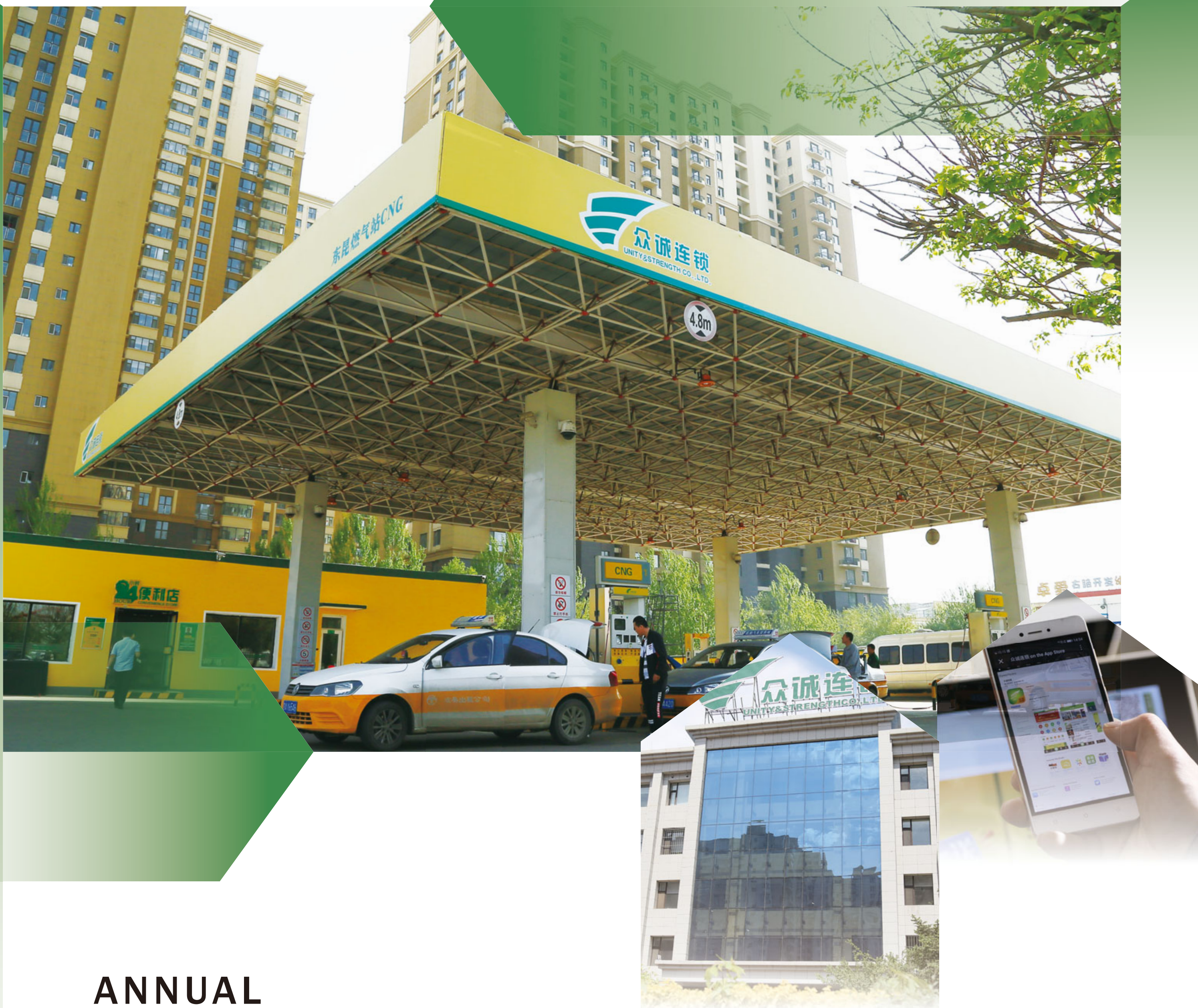
# United Strength Power Holdings Limited
# 眾誠能源控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 2337**




# ANNUAL REPORT 2018

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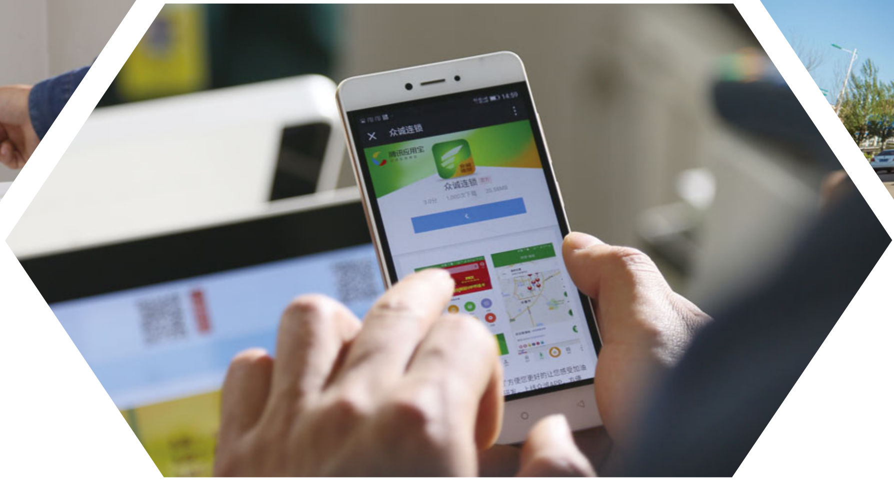


# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhao Jinmin *(Chairman)*
Mr. Liu Yingwu
Mr. Xu Huilin *(Chief Executive Officer)*
Mr. Wang Qingguo
(resigned with effect from 27 November 2018)
Mr. Yuan Limin
(appointed with effect from 27 November 2018)

### Independent Non-Executive Directors

Ms. Su Dan
Mr. Lau Ying Kit
Mr. Yu Chen (resigned with effect from 27 November 2018)
Mr. Zhang Zhifeng
(appointed with effect from 27 November 2018)

## 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. Zhang Zhifeng

## MEMBERS OF REMUNERATION COMMITTEE

Mr. Zhang Zhifeng *(Chairman)*
Mr. Liu Yingwu
Ms. Su Dan

## MEMBERS OF NOMINATION COMMITTEE

Ms. Su Dan *(Chairman)*
Mr. Xu Huilin
Mr. Zhang Zhifeng

## 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

Suite 4310, 43/F
China Resources Building
26 Harbour Road
Wanchai
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

CMB 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

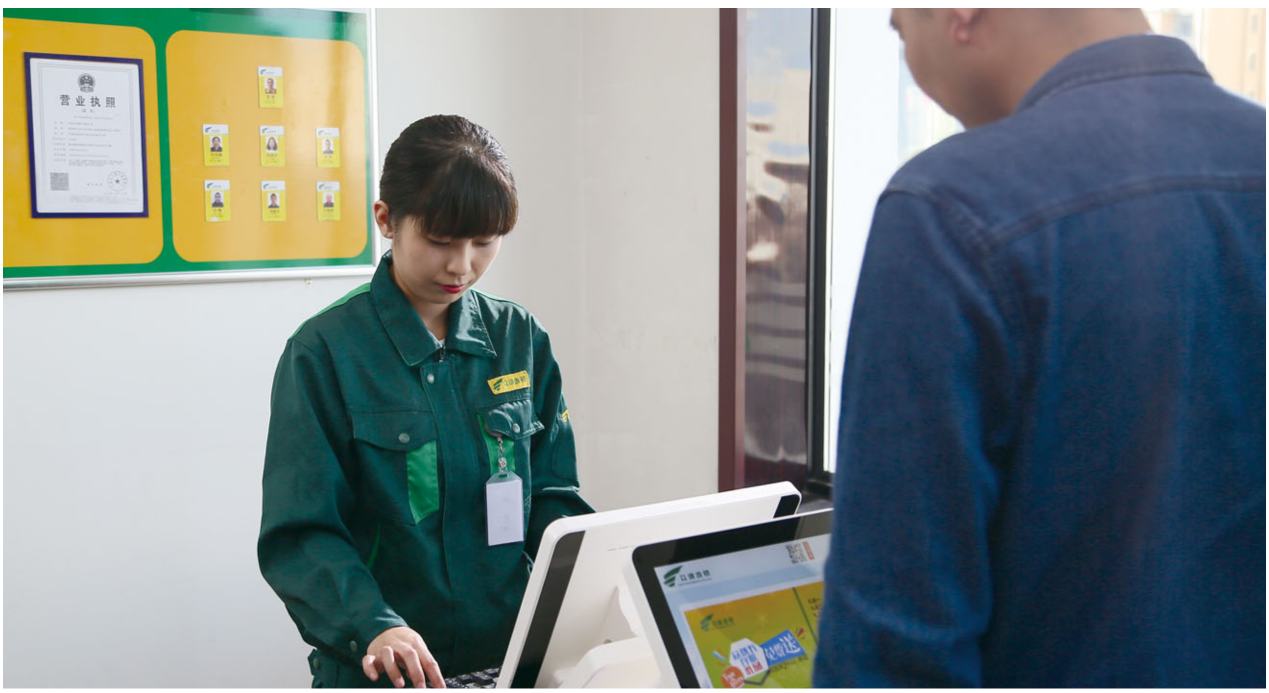
Phone: (852) 3896 3333
Fax: (852) 3896 3300

# FINANCIAL HIGHLIGHTS

| | *Notes* | **2018 RMB'000** | 2017 RMB'000 Restated |
|---|---|---|---|
| Revenue | | **348,166** | 256,147 |
| Gross profit | | **148,846** | 111,342 |
| Profit for the year | | **43,547** | 10,615 |
| Profit attributable to equity shareholders of the Company | | **42,971** | 9,525 |
| Gross profit margin | | **43%** | 43% |
| Earnings per share | | | |
| — Basic & Diluted (RMB) | | **0.18** | 0.05 |
| Total assets | | **323,322** | 300,550 |
| Net assets | | **255,468** | 230,408 |
| **Liquidity and Gearing** | | | |
| Current ratio | *1* | **3.37** | 2.89 |
| Quick ratio | *2* | **3.33** | 2.86 |
| Gearing ratio | *3* | **21%** | 23% |

*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 2018 (hereinafter referred to as the "**Reporting Period**").

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

Looking back on 2018, despite a few uncertainties such as the trade war, China's macro-economy continued to be generally stable and progressive, with deepened supply-side reforms and further optimized economic structure. China's annual GDP was over RMB90 trillion, representing a year-on-year growth of 6.6%.

With the advocation of environmental protection at home and abroad in recent years, coupled with supportive national polices, the natural gas industry has ushered in new opportunities for rapid development. The Paris Agreement and the 2030 Agenda for Sustainable Development both set clear goals and timetables for accelerating low-carbon development and clean energy promotion, while China has also speeded up its revolution in energy production and consumption to gradually realize the transformation of energy-related institutions as set out in the "13th Five-Year Plan on Natural Gas Development" ("**13th Five-Year Plan**"). Consequently, natural gas is taking up a steadily increasing role in the energy mix, with industry development in full swing.

During the Reporting Period, four ministries and commissions of China jointly issued a notice to expand the central government's support for clean heating pilot cities in the northern region during winter, adding 11 cities to the original "2+26" portfolio and steadily promoting the "Coal to Gas" policy to further expedite the growth in natural gas production, imports and consumption. In 2018, China's annual natural gas consumption was 276.6 billion $m^3$, representing a year-on-year increase of 17%.

Thanks to favorable national policy, natural gas vehicles has become more widely recognized in the market, bringing along rapid development in the CNG refueling stations market. Accordingly, the Group has fully grasped the golden opportunity of natural gas development supported by national policies and market demands, and formulated management strategies suitable to local conditions with the timing in mind, thus maintaining steady performance growth by improving operational efficiency, deepening cost control and enhancing risk management capabilities. The Group's operating revenue for the year was RMB348.2 million. During the Reporting Period, the Group's share price was stable despite the high volatility in the capital market.

At the same time, in response to the homogeneous competition in the natural gas market, the Group emphasizes on improving customer viscosity with consistent service quality, enhancing brand reputation through safety management, strengthening recognition of the "United Strength" brand with more publicity and maximizing the benefits of market promotion to ultimately stand out from the fierce market competition with our unique brand strategies and achieve long-term and considerable development.

## FUTURE PROSPECTS

Looking forward to 2019, China will continue to promote ecological civilization construction and low-carbon strategy while strengthening supply-side structural reforms, thus creating a favorable environment for wider use of natural gas for transportation. According to the "13th Five-Year Plan", the government will continue to actively support the development of natural gas vehicles, including natural gas-fueled city buses, taxis, logistics vehicles, passenger vehicles, sanitation vehicles and trucks, etc., striving to increase around 10 million gas-fueled vehicles in various types and build over 12,000 gas stations. Therefore, it is projected that the natural gas refueling station industry will continue to grow in 2019.

In order to better seize the opportunities, the Group actively explored areas related to its main business, promoted business development and diversified sources of income, while developing long-term development strategies from a holistic standpoint. Our Group's wholly-owned subsidiary Changchun Sinogas Company, Ltd. (長春中油潔能燃氣有限公司) ("**Changchun Sinogas**") acquired the entire equity interests in Jilin Province Jieli Logistics Company Limited (吉林省捷利物流有公司) ("**Jieli Logistics**") to 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. At present, good returns have been generated and it is expected that there will be a large room for potential growth.

In addition, the Company plans to use HK$50 million to set up an industry acquisition fund, focusing on the growing trends in the industry, conduct mergers and acquisitions and consolidate businesses to strengthen the Group's industry position. The proposed fund will invest in both traditional and new energy businesses which are closely related to the Company's main business. At the same time, the fund will focus on power and energy conservation, energy management, charging stations and other kinds of clean energy projects.

The Board believes that the continuous transformation of China's economy, further optimization of energy structure, rapid urbanization and deepening reform of the oil and gas system will continue to generate resonance and stimulate the growth capacity and development potential of the natural gas industry. The current upward industry trend has created an excellent opportunity for the Group to expand its business scale, promote business development and deploy future growth points. In the future, the management of the Group will continue to pay close attention to the market dynamics, lead the Group to develop steadily and strive to create ideal returns for shareholders with rich industry experience, forward-looking mindset and practical management style.

## 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

11 March 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS


## 1. INDUSTRY REVIEW

In recent years, the Chinese government has, in the "13th Five Year Plan on Natural Gas Development" (《天然氣發展「十三五」規劃》) and the "Three-year Action Plan for Winning the Battle of Blue Sky" (《打贏藍天保衛戰三年行動計劃》) as well as other documents, repeatedly stressed promoting the upgrading of the energy structure, and the construction of a sound system for the production, supply, storage and marketing of natural gas, aiming to achieve the goal of natural gas accounting for 10% of the total energy consumption by 2020. It is evident that the increase of the proportion of natural gas use has risen to the national strategic height, and the growth in demand of natural gas has become the general trend. In 2018, the national natural gas consumption reached 276.6 billion cubic meters, with a growth rate of up to 16.6%.

On the supply side, the government has attached great importance to the sustainable development of clean energy and low-carbon economy within the reporting period, developed a series of positive policies in the industry, such as subsidizing gas storage construction, and putting tax cuts on natural gas mining enterprises etc. The State Council issued Several Opinions on Promoting Harmonious and Stable Development of Natural Gas (《關於促進天然氣協調穩定發展的若干意見》), which emphasized the enhancement of the building of production, supply, storage and sales system, while striving to produce more than 200 billion cubic meters of natural gas by the end of 2020. Meanwhile, with the continuous development of China's urbanization construction, natural gas infrastructure will be further expanded, thus continuously accumulating new power for the high-quality and rapid development of the industry.

In the transportation sector, by the end of 2017, China already had the world's largest number of natural gas vehicles. Compared to gasoline and diesel, natural gas has higher unit calorific value and creates less environmental pollution. Compared to other new energy vehicles, such as electric vehicles, natural gas vehicles perform better in terms of technology maturity, range, safety and cold boot. Due to this, natural gas vehicles have been popularized in the energy market in the field of transportation. During the reporting period, with the increase in international oil price, the economy of natural gas as power fuel had been further enhanced, and the automobile gas market has also developed well.

In Jilin Province, a focus of the Group, the government will continue to promote the "Gasification of Jilin「氣化吉林」" project, accelerate the construction of natural gas infrastructure, and strive to increase the proportion of non-fossil energy consumption to 9.5% and natural gas consumption to 6% by 2020, thus creating opportunities in Jilin Province for the development of the natural gas vehicles and gas refuelling station market. At present, the application of natural gas in transportation in Jilin Province is mainly concentrated on urban public transportation (taxis and buses), heavy trucks (urban logistics vehicles, sanitation vehicles and logistics transport trucks) and intercity buses. The number of gas-powered vehicles (primarily CNG vehicles) in Jilin Province has grown steadily in recent years, and is expected to further increase to about 116,500 vehicles by 2021, accounting for about 2.4% of the total number of vehicles in the province. This has brought about opportunities for the prosperity of gas refuelling station market.

## 2. BUSINESS AND FINANCIAL REVIEW

Our Group is a leading operator of CNG refuelling stations for vehicles in Jilin Province of China. We run 22 CNG refuelling stations in Northeastern China as at 31 December 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 year, which has brought good returns and is expected to have 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 2018, the Group recorded the sales of natural gas income of RMB288.1 million, representing a year-on-year growth of 35% and accounted for 83% of the total revenue of the same year. During the year, the sales volume of CNG reached 66.7 million cubic meters (2017: 51.2 million cubic meters), representing an increase of 30% as compared with last year. The increase in sales volume was mainly due to more marketing campaigns were carried out to stimulate the sales during a year.

The table below shows the location of and product offering at our refuelling stations as at 31 December 2018:

| City, Province | CNG | LPG | Mixed (LNG and CNG) | Total Number of stations |
|---|---|---|---|---|
| Changchun City, Jilin Province | 11 | 0 | 1 | 12 |
| 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 | 0 | 0 | 1 |
| Yanji City, Jilin Province | 2 | 0 | 1 | 3 |
| Wangqing, Jilin Province | 0 | 1 | 0 | 1 |
| Meihekou, Jilin Province | 1 | 0 | 0 | 1 |
| Antu, Jilin Province | 0 | 0 | 1 | 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** | **2** | **3** | **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** | **3** | **3** | **28** |

### Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For 2018, the Group recorded the transportation income of RMB60.0 million (2017: RMB42.5 million), representing a year-on-year growth of 41% and accounted for 17% of the total revenue of the same year.

During the reporting period, Changchun Sinogas Co., Ltd., a wholly-owned subsidiary of the Group, completed the acquisition of all the equity interests of Jieli Logistics, and Jieli Logistics became an indirect wholly-owned subsidiary of the Group. The Group expects to meet its demand for safe and stable gas transport services in a cost-effective manner, and develop new and stable revenue sources for providing gas transport services. At present, the business has generated good revenue, and it expects to have plentiful room for growth in the future.

At present, Jieli Logistics and its subsidiary own and manage a fleet of over 100 dangerous goods transport vehicles, including 25 locomotives, 31 trailers and 23 head-mounted integrated vehicles (oil transport), as well as 20 locomotives and 47 trailers (gas transport). In addition to its own vehicles, Jieli Logistics also (i) manages and operates 12 locomotives, 5 trailers and 12 headstock trucks (oil transport) for Changchun Yitonghe and (ii) leases a total of 30 locomotives, 28 trailers (gas transport) and 1 headstock truck from Changchun Yitonghe and its subsidiaries ("**Yitonghe Group**") for its business.

In addition, the Company plans to invest HK$50 million to set up an industry acquisition fund, focusing on the growing trends in the industry, mergers and acquisitions, business integration, and improvement and consolidation of the Company's position in the industry. The Company and external fund managers with rich industry experience will establish the proposed fund. In addition, the proposed fund will be invested in energy and new energy businesses closely related to the Company's main businesses, such as natural gas pipeline network, gas stations, master stations, storage facilities, transportation facilities, oil and gas fields, natural gas supply and other gas-related businesses. In addition, the fund will focus on electricity and energy saving, energy management, charging stations and other clean energy projects.

During the Board meeting on 27 November 2018, the Directors discussed and agreed to seek future opportunities of energy and new energy businesses closely related to the Group's main businesses, such as natural gas pipeline networks, petroleum stations, mother stations, storage facilities, transportation facilities, oil and gas fields, natural gas supply and other businesses related to the gas industry. The Board agreed to further study the viability regarding the investment, development, promotion or collaboration in the potential new business market, with a view to, amongst others, diversifying the Group's source of income, increasing the Group's customer base, generating additional income and in return, bringing reasonable returns to the Shareholders. For details, please refer to the announcement of the Company dated 27 November 2018.

## 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 2018, the Group's revenue amounted to RMB348.2 million, representing an increase of RMB92.1 million or 36% from RMB256.1 million in 2017. The increase in revenue was mainly attributable to the increase in the sales volume of the Company's products and income from provision of transportation services.

## 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 and transportation costs. In 2018, the Group's cost of sales increased by 38% to RMB199.3 million from RMB144.8 million 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 Company's products during 2018.

The gross profit for 2018 was RMB148.8 million (2017: RMB111.3 million), with a gross profit margin of 43% (2017: 43%). The gross profit was relatively stable compared with that of the previous year.

### Other Income

Other income mainly comprises rental income, management fee and foreign exchange losses. For 2018, other income amounted to RMB7.6 million, representing a decrease of RMB1.9 million from RMB9.5 million in 2017. The decrease in other income was mainly attributable to the increase in foreign exchange losses during 2018.

### Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2018, staff costs amounted to RMB44.2 million, representing an increase of RMB9.6 million from RMB34.6 million in 2017. The increase in staff costs was principally attributable to the increase in number of staff and average salary payable for staff during 2018.

### Operating Lease Charges, Other Operating Expenses and Finance Costs

For 2018, the operating lease charge increased by 14%, from RMB7.1 million in 2017 to RMB8.1 million in 2018. Such increase was mainly attributable to increase in operating lease charges for property, equipment and 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 increased by 78%, from RMB15.7 million to RMB28.0 million. The increase was mainly attributable to combined effect of the increase entrustment fees expenses and the increase in legal and professional fees for the year ended 31 December 2018.

The increase in finance costs was mainly due to the increase of bank borrowings during 2018.

### Profit before Tax

As a result of the foregoing factors, the profit before tax for 2018 increased by RMB35.1 million, constituting a profit of RMB58.5 million (2017: RMB23.4 million).

### Income Tax Expenses

In 2018, income tax expenses increased by RMB2.2 million, or 17%, to RMB14.9 million from RMB12.7 million in 2017. Such increase was mainly due to higher profit recorded during 2018.

### Non-controlling Interests

In 2018, non-controlling interests amounted to RMB0.6 million, representing a decrease of RMB0.5 million, or 45%, from RMB1.1 million in 2017 primarily due to a decrease in profit contribution from the refuelling stations under Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限責任公司).

### Profit for the Year

For 2018, the net profit of the Group amounted to RMB43.5 million, representing an increase of RMB32.9 million from RMB10.6 million in 2017.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2018. Total assets increased by 8% to RMB323.3 million (31 December 2017: RMB300.6 million) while total equity increased by 11% to RMB255.5 million (31 December 2017: RMB230.4 million).

### Bank Balances and Cash

As at 31 December 2018, the Group's bank balances and cash amounted to RMB127.9 million (31 December 2017: RMB151.3 million).

### Capital Expenditure

Capital expenditure for the year ended 31 December 2018 amounted to RMB20.5 million and capital commitments as at 31 December 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 31 December 2018 and 2017 are summarised below:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | RMB'000 | % | RMB'000 | % |
| Short-term borrowings | 25,000 | 100 | 15,000 | 100 |
| Currency denomination – RMB | 25,000 | 100 | 15,000 | 100 |
| Borrowings – secured | 25,000 | 100 | 15,000 | 100 |
| – unsecured | – | – | – | – |
| Interest rate structure – fixed-rate borrowings | 25,000 | 100 | 15,000 | 100 |
| Interest rate – fixed-rate borrowings | | 4.79% | | 4.79% |

As at 31 December 2018, the Group's gearing ratio was 21% (31 December 2017: 23%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2018 and 2017 respectively. The gearing ratio was relatively stable.

## Use of proceeds

The Company has received net proceeds of approximately HK$115.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 16 October 2017. On 27 November 2018 and 31 January 2019, the Board resolved to change the proposed use of proceeds from that originally set out in the Prospectus for the global offering. Details of which are set out in the announcements of the Company dated 27 November 2018 and 31 January 2019 respectively. The unutilised proceeds have been placed with the licensed banks and financial institutions in Hong Kong and the PRC as interest-bearing deposits. Set out below is a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the utilisation of the net proceeds:

| | Original allocation HK$'000 | Revised allocation HK$'000 | Utilization as at 31 December 2018 HK$'000 | Remaining balance at at 31 December 2018 HK$'000 |
|---|---|---|---|---|
| Finance the expansion of the CNG refuelling station network | 104,000 | 19,500 | 13,105 | 6,395 |
| Strengthen the marketing and promotion strategies | 5,800 | 5,800 | 437 | 5,363 |
| General working capital | 5,800 | 5,800 | 5,800 | – |
| Establishment of an industry merger and acquisition fund | – | 50,000 | – | 50,000 |
| Acquisition of the Silver Spring Green Energy and assignment of the shareholder's loan | – | 34,500 | – | 34,500 |
| **Total** | **115,600** | **115,600** | **19,342** | **96,258** |

The Board considers that the changes in the use of proceeds and the treatment of unutilised proceeds are fair and reasonable, and would meet the financial needs of the Group more efficiently and enhance the flexibility in financial management of the Company. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

## Pledge of Assets

As at 31 December 2018, the Group's bank loan of RMB25.0 million was secured by property, plant and equipment and land use rights with an aggregate carrying value of RMB14.6 million.

## Contingent Liabilities

As at the date of this report and as at 31 December 2018, the Board is not aware of any material contingent liabilities (2017: Nil).

## Human Resources

As at 31 December 2018, the Group had 486 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 2018, 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

On 19 January 2018, Changchun Sinogas, an indirect wholly-owned subsidiary of the Company, as purchaser, and Changchun Yitonghe as vendor, entered into the sales and purchase agreement, pursuant to which Changchun Sinogas acquired the entire equity interests in Jieli Logistics at the consideration of RMB15,250,000. For details of the transactions, 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 report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2018.

## 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 gas 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

At present, the natural gas industry as a whole is showing a rising trend. In the reporting period, China further strengthened investment in the natural gas industry, investment in the construction of three long-distance natural gas transmission pipelines of Sino-Russia eastern pipeline, Erdos-Anping-Cangzhou pipeline and Xinjiang-Guangdong-Zhejiang pipeline, investment in the construction of 10 underground gas storage depots, the expansion of a large number of coastal LNG receiving station tanks, and built more city gas peak shaving tanks, thus promoting the natural gas engineering sector's infrastructure construction, as well as creating more opportunities for the development of the Group's downstream industry.

In December 2018, the construction of Heilongjiang cross-border river bottom pipeline-crossing project of Sino-Russia eastern line completed smoothly, representing the largest energy cooperation project between China and Russia and a major strategic project of global natural gas cooperation. When the pipeline is put into operation in 2019, it will directly benefit about 9.19 million people along Heilongjiang and Jilin provinces. At the same time, growing demand for natural gas has spurred growth in China's gas imports, which the international energy agency predicts will overtake Japan as the world's largest importer by 2019.

The increase in upstream gas sources will reduce the market's concern regarding "gas shortage", improve market stability, and promote the growth of natural gas market volume, which is conducive to the long-term sustainable development of the industry. The Group believes that the expansion of the market will expand the customer base of the Group, while the stable market environment has laid a good external condition foundation for the expansion of the Group.

Looking ahead to 2019, it is believed that the Chinese government will continue to adhere to the ecological civilization construction and green and low-carbon energy strategy, and maintain the support for the natural gas industry at the central and local government levels. Taking advantage of the rising cycle of the industry, the number of auto natural gas refuelling stations is expected to continuously grow in 2019, and the sales volume of natural gas refuelling stations is expected to increase continuously.

With the rapid growth of the industry, the Group will rely on the rich industry experience, mature management system and business strategy that advances with the times and, while maintaining the stable growth of the main business, actively expand the business scope, and develop new performance growth points.

On 31 January 2019, United Strength Power International Limited ("**United Strength BVI**"), a wholly-owned subsidiary of the Company, announced to acquire the entire issued share capital of Silver Spring Green Energy Limited ("**Silver Spring Green Energy**") and to accept the assignment of the shareholder's loan (the "**Acquisition**"). Silver Spring Green Energy is the holder of 30% equity interests in China Travel Service International Financial Leasing Company Limited ("**CTS Financial Leasing**"). By becoming a beneficial owner of CTS Financial Leasing which engages in the financial leasing business, it would provide a more favorable financial platform which could provide necessary and cost-efficient financial support to the Group for its potential expansion in the potential new business in future. Meanwhile, the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to expand and diversify its business/investment portfolio and to enhance the Group's long-term development potential.

In the future, besides continuously carrying out the gas transport business through Jieli Logistics, the Group will actively explore new development opportunities in the energy and new energy fields closely related to natural gas, and seek the appropriate time to enter a new market with the potential to increase business, thus diversifying the source of income of the Group, increasing the Group's customer base, developing new source of income, and bringing about reasonable return for shareholders.

# CORPORATE GOVERNANCE REPORT

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2018.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining 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 year ended 31 December 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.

## 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 2018. Details of the shareholding interests held by the Directors as at 31 December 2018 are set out in page 49 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. Xu Huilin *(Chief Executive Officer)*
Mr. Wang Qingguo
(resigned with effect from 27 November 2018)
Mr. Yuan Limin
(appointed with effect from 27 November 2018)

### Independent Non-executive Directors

Ms. Su Dan
Mr. Lau Ying Kit
Mr. Yu Chen (resigned with effect from 27 November 2018)
Mr. Zhang Zhifeng
(appointed with effect from 27 November 2018)

Biographical information of the Directors is set forth on pages 43 to 45 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, and Mr. Yuan Limin has entered into a service contract with the Company for a term of three years commencing on 27 November 2018, 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 and to Mr. Zhang Zhifeng commencing on 27 November 2018, 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.

In 2018, 4 Board meetings were 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 | 4/4 |
| Mr. Liu Yingwu | 4/4 |
| Mr. Wang Qingguo (resigned with effect from 27 November 2018) | 2/3 |
| Mr. Xu Huilin | 4/4 |
| Mr. Yuan Limin (appointed with effect from 27 November 2018) | 1/1 |
| Ms. Su Dan | 4/4 |
| Mr. Yu Chen (resigned with effect from 27 November 2018) | 3/3 |
| Mr. Lau Ying Kit | 4/4 |
| Mr. Zhang Zhifeng (appointed with effect from 27 November 2018) | 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 2018, Mr. Lo Wai Kit was the then Company Secretary.

The Chairman had a meeting with the independent non-executive Directors without the presence of executive Directors in 2018.

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. During the year, the Group has provided training materials for all the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Group, together with its compliance adviser, continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received for financial year ended 31 December 2018 is set out below:

| Directors | Type of CPD |
|---|---|
| **Executive Directors** | |
| Mr. Zhao Jinmin | B |
| Mr. Liu Yingwu | B |
| Mr. Xu Huilin | B |
| Mr. Yuan Limin (appointed on 27 November 2018) | A and B |
| Mr. Wang Qingguo (resigned on 27 November 2018) | B |
| **Independent Non-executive Directors** | |
| Ms. Su Dan | B |
| Mr. Lau Ying Kit | B |
| Mr. Zhang Zhifeng (appointed on 27 November 2018) | A and B |
| Mr. Yu Chen (resigned on 27 November 2018) | B |

*Notes:*

A: *attending briefings/seminars/forums/workshops/conference relevant to the business or directors' duties*

B: *reading regulatory updates on laws, rules and regulations relating to directors' roles and functions*

## AUDIT COMMITTEE

During the year under review, 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. Zhang Zhifeng who are independent non-executive Directors. The Audit Committee is chaired by Mr. Lau Ying Kit.

Two meetings were held with the management and the external auditors in 2018. Members of Audit Committee attendance at committee meetings held during their term of office are listed below:

| | Number of Audit Committee Meetings attended/held |
|---|---|
| **Committee members** | |
| Mr. Lau Ying Kit *(chairman)* | 2/2 |
| Ms. Su Dan | 2/2 |
| Mr. Yu Chen (resigned with effect from 27 November 2018) | 2/2 |
| Mr. Zhang Zhifeng (appointed with effect from 27 November 2018) | – |

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 under review, 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;

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

– approving the terms of executive Directors' service contracts.

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

One meeting was held in 2018. Members of Remuneration Committee attendance at committee meetings held during their term of office are listed below:

| | Number of Remuneration Committee Meeting attended/held |
|---|---|
| **Committee members** | |
| Mr. Liu Yingwu | 1/1 |
| Ms. Su Dan | 1/1 |
| Mr. Yu Chen (resigned with effect from 27 November 2018) | 1/1 |
| Mr. Zhang Zhifeng (appointed with effect from 27 November 2018 as chairman) | – |

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 2018 is set out below:

| Remuneration bands | Number of individuals |
|---|---|
| Nil–HK$1,000,000 | 2 |

## NOMINATION COMMITTEE

The Nomination Committee comprises Mr. Xu Huilin who is an executive Director, and Ms. Su Dan and Mr. Zhang Zhifeng 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 approval.

The Nomination Committee shall identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

In evaluating and selecting a candidate for directorship, the following criteria should be considered:

– Character and integrity;

– Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

– Any measurable objectives adopted for achieving diversity on the Board;

– Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

– Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Two meetings were held in 2018. Members of Nomination Committee attendance at committee meetings held during their term of office are listed below:

| | Number of Nomination Committee Meetings attended/held |
|---|---|
| **Committee members** | |
| Mr. Xu Hulin *(chairman)* | 2/2 |
| Ms. Su Dan | 2/2 |
| Mr. Yu Chen (resigned with effect from 27 November 2018) | 1/2 |
| Mr. Zhang Zhifeng (appointed with effect from 27 November 2018) | – |

## 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 making 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 2018, 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 56 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 56-61 of this annual report.

The remuneration paid or payable to KPMG for services rendered in respect of the year ended 31 December 2018 is as follows:

| | 2018<br>RMB'000 |
|---|---|
| Audit services | 3,000 |
| Non-audit services | – |
| Total | 3,000 |

## 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.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The Board is responsible for maintaining an adequate internal control system to safeguard shareholders investments and Company assets and reviewing the effectiveness of such through Audit Committee on an annual basis. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations. An annual review of the effectiveness of the system of internal controls of the Group will be conducted.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in an ongoing monitoring of the risk management and internal control systems of the Group. They had communicated with the Company on their findings and recommendations. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the interest of shareholders and the Group's assets.

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 control 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 2018, 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 Stock Exchange.

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.

The extraordinary general meeting of 2018 ("**2018 EGM**") was held on 6 March 2018. The notice of 2018 EGM was sent to the shareholder of the Company at least 14 clear business day before the 2018 EGM.

The annual general meeting of 2018 ("**2018 AGM**") was held on 6 June 2018. The notice of the 2018 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2018 AGM.

The attendance record of the directors at the general meetings is set out below:

| Directors | Attendance/ Number of general meetings |
|---|---|
| Mr. Zhao Jinmin | 2/2 |
| Mr. Liu Yingwu | 1/2 |
| Mr. Wang Qingguo (resigned with effect from 27 November 2018) | 1/2 |
| Mr. Xu Huilin | 2/2 |
| Mr. Yuan Limin (appointed with effect from 27 November 2018) | – |
| Ms. Su Dan | 1/2 |
| Mr. Yu Chen (resigned with effect from 27 November 2018) | 0/2 |
| Mr. Lau Ying Kit | 1/2 |
| Mr. Zhang Zhifeng (appointed with effect from 27 November 2018) | – |

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 has 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 2018, 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 Stock Exchange.

## 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 2018, Mr. Lo Wai Kit, the 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 People's Republic of China (the "PRC"). As a leading company in CNG in Jilin Province, United Strength Power Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") stringently adhere to their environmental and social responsibilities.

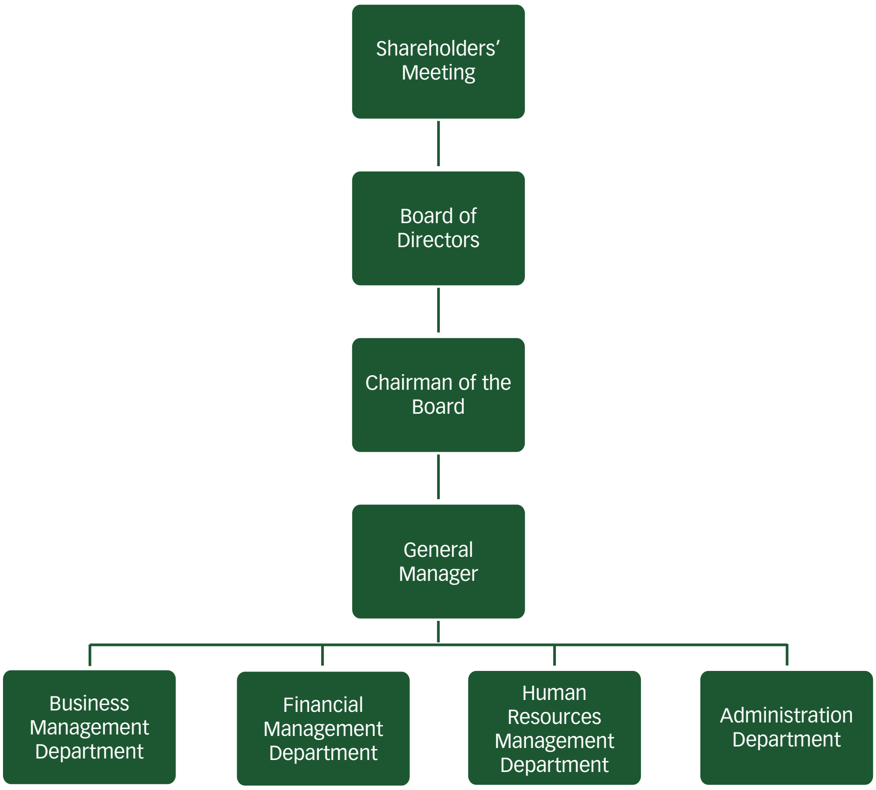
Not only has the Group made tremendous progress in its business expansion and economic development, the Group has also paid great attention to environmental protection and the fulfilment of their social responsibilities. With a strong ambition and commitment to forge an eco-friendly, resilient and reliable enterprise that pioneers in sustainable development compared to its peers in the industry, the Group never stops its footstep in exploring new ways to change its business model and operating practice in order to make contributions to addressing the pressing global climate change-related challenge.

The Group is pleased to present Environmental, Social and Governance Report ("ESG Report") for FY2018 to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development for the financial year ended on 31 December 2018. This ESG report is prepared in full compliance with the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules on The Stock Exchange of Hong Kong Limited. To deliver a formalised and internationally compatible ESG report, the Group referenced recommendations of the Task Force on Climate-related Financial Disclosures to improve the integrity, international compatibility and industrial comparability of the report.

## II. BOARD INCLUSIVENESS

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group's undue impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors ("Board") of the Group has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

In order to fully implement the sustainable development strategy, the Group has established dedicated teams to manage ESG issues. The Group has established a sustainable development strategy to create sustainable value and continuously reduce the Group's environmental impact. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group. The structure of the ESG management team is presented below.




With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

## III. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the operational boundaries of the Group that include 28 gas refilling stations in northeast of China and logistics business in Jilin Province. The reporting period of this ESG Report is the financial year from 1 January 2018 to 31 December 2018 ("FY2018"). This report is prepared in both Chinese and English and has been uploaded to the Group's website at www.united-strength.com.

## IV. STAKEHOLDER ENGAGEMENT

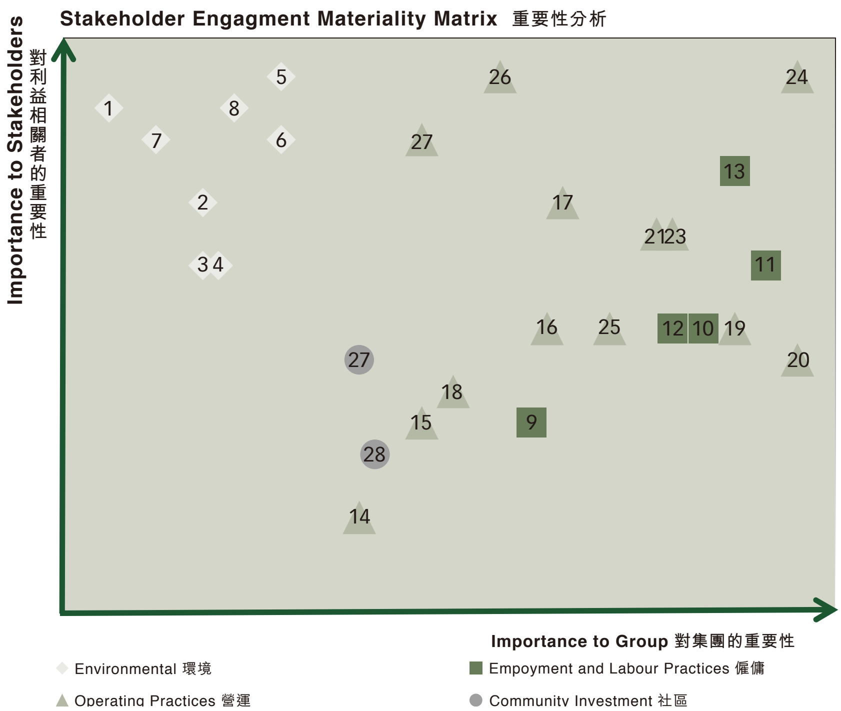
An effective communication with both internal and external stakeholders is regarded essential to the Group in many areas. Not only it communicates the Group's commitment to long-term value creation to stakeholders who care about the level of sustainable development of the Group, but also helps the Group to gain a better understanding of those topics' material and relevant to different groups of stakeholders. The Group reviews and adjusts its sustainability policies regularly to meet the changing demands of the stakeholders.

With the goal to strengthen corporate sustainability approach and performance while enhancing stakeholders' awareness of ESG and sustainability issues, the Group has put tremendous efforts into its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

| Stakeholders | Expectations and concerns | Communication channels |
|---|---|---|
| Government and regulatory authorities | – Compliance with laws and regulations<br>– Business sustainability<br>– Proper tax payment | – Supervision on complying with local laws and regulations<br>– Routine reports and tax paid |
| Shareholders | – Return on investments<br>– Corporate governance<br>– Business compliance | – Regular reports and announcements<br>– Regular general meetings<br>– Official company website |
| Employees | – Employees' compensation and benefits<br>– Career development<br>– Healthy and safe working environment | – Performance reviews<br>– Regular meetings and trainings<br>– Emails, notice boards, hotline, caring activities with management |
| Customers | – High quality products and services<br>– Protect customers' rights | – Customer's satisfaction survey<br>– Face-to-face meetings and on-site visits<br>– Customer service hotline and email |
| Suppliers | – Fair and open procurement<br>– Win-win cooperation | – Open tendering<br>– Suppliers' satisfactory assessment<br>– Face-to-face meetings and on-site visits<br>– Industry seminar |
| General public | – Involvement in communities<br>– Business compliance<br>– Environmental protection awareness | – Media conferences and responses to enquiries<br>– Public welfare activities<br>– Face-to-face interview |

## Materiality Assessment

Since ESG risks and opportunities for companies vary across industries and depend on specific business patterns of companies, the Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG report. In FY2018, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in order to guarantee the accuracy and objectivity of evaluation. Based on the influence and reliance of stakeholders on the Group, the Group selected internal and external stakeholders for importance assessment surveys. Selected stakeholders expressed their views and concerns on issues of sustainable development through online surveys. Through this survey, the Group selected sustainability issues that are critical to stakeholders and groups. The results of the importance assessment survey are shown below.




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

The Group identified seven ESG issues that are of great significance to both the Group and its stakeholders from the inventory of 29 sustainability topics. For this report, the Group has identified Observing and protecting intellectual property rights, Protection of consumer information and privacy, and Preventing child and forced labour as the most important issues for both stakeholders and the Group. This review and assessment helped the Group to objectively prioritise its sustainability issues, precisely identify the material and relevant aspects, and make for the purposeful documentation and disclosure of its ESG performance so as to align them with stakeholders' expectations. Besides these, the Group also engages stakeholders with the Sustainability Development Goals ("SDGs") to determine the future goals for Group ESG policy. The Group has identified "Target 3: Good Health and Well-Being" and "Target 4: Quality Education" as the most concerned goals for the sustainability development for this year.

## V. ENVIRONMENTAL SUSTAINABILITY

In FY2018, the Group strictly abides by the environmental laws and regulations of the PRC, including but not limited to the Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of the People's Republic of China, Water Pollution Prevention Law of the People's Republic of China, and Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2018.

### A.1. Emissions

In FY2018, the Group found no disregard of laws and regulations that have significant impact on the Group, including emissions and greenhouse gas emissions, water and land pollution, and hazardous and non-hazardous waste discharges. The Group's environmental policy includes controlling the Group's energy consumption and using more environmentally-friendly clean energy to reduce the environmental impact of the Group's emissions.

In FY2018, the total air emissions of the Group are 30.9kg sulfur oxide and 361.9kg nitrogen oxide. The greenhouse gas ("GHG") emissions from the Group amounts to 10,125.3 tonnes of carbon dioxide equivalent ("$CO_2e$") with an intensity of 19.6 tonnes of $CO_2e$ per employee. The Group only generates 9,293.3 tonnes of non-hazardous wastewater and 42,406.5 kg non-hazardous solid wastes, with an intensity of 12.2 tonnes wastewater per employee and 82.0kg solid wastes per employee. No hazardous wastes was generated during the year under review. The Group's total emissions are summarised in Table 1.

Compared with emissions in FY2017, there is a significant increase in emissions in FY2018, which was mainly attributable to the Group's logistics companies acquired during the year under review. The logistics company is principally engaged in the operation and management of oil and gas transportation services in Jilin Province, the PRC, providing important and stable and safe transportation of dangerous goods to the Group and Yitonghe Group.

Benefiting from the Group's solid waste and wastewater reducing measures, the intensities of solid waste and wastewater of FY2018 are decreased comparing to that of FY2017. The intensity of wastewater in FY2018 is about half of that in FY2017, while the solid waste reduced form 128.6 kg per person in FY2017 to 82.0 kg per person.

**Air Emissions**

Air emissions generated by the Group mainly come from the vehicle exhaust in daily operation. The Group uses diesel, gasoline and liquefied natural gas as the power source of vehicles. The exhausted gases generated are mainly sulfur oxides ("$SO_X$"), nitrogen oxides ("$NO_X$"), particle material ("PM") and so on. To reduce air emissions, the Group encourages to use liquefied natural gas as power source. This action has greatly reduced air emissions, and the Group will continue to promote liquefied natural gas as the substitute of gasoline and diesel within the Group to achieve the goal of reducing air emissions. At the same time, the Group's logistics business will regularly maintain equipment to prevent gas leakage. Please refer to Table 1 for detailed air emissions.

**GHG emissions**

The Group has included the GHG emissions of FY2018 into Table 1 of this report. The Group's GHG emissions are mainly derived from indirect carbon dioxide emissions from electricity use and carbon dioxide emissions from vehicle exhaust. Since GHG emissions are closely related to electricity and energy use, the Group has established energy-saving measures to reduce the use of electricity in daily operations, and further elaborates in the subsection headed "Electricity" and "Energy use" under section **A.2. Use of Resources** of this report.

**Wastewater**

Wastewater produced by the Group mainly is generated from its staff. The small amount of domestic wastewater is discharged to anti-seepage tank and is regularly extracted 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 Report.

**Solid waste**

The solid waste generated by the Group is non-hazardous solid waste generated during the operation and by employees in daily life. The disposal method of solid waste is to uniformly place the office and domestic garbage generated by employees in the garbage bin set by the local government and is collected and handled by the government sanitation department. The Group's logistics business sets emission reduction targets, such as classifying waste in its daily operations and regularly recycling recyclable solid waste.

Table 1 The Group's Total Emissions in FY2018

| Emissions | | Unit | Amount | Intensity (Unit/employee) |
|---|---|---|---|---|
| Air emissions | $SO_2$ | kg | 30.9 | 0.1 |
| | $NO_X$ | kg | 361.9 | 0.7 |
| GHG emissions | Scope 1 (Direct Emission) | tonnes $CO_2e$ | 6,931.0 | 13.4 |
| | Scope 2 (Energy Indirect Emission) | tonnes $CO_2e$ | 3,194.3 | 6.2 |
| | Total (Scope 1, 2 & 3) | tonnes $CO_2e$ | 10,125.3 | 19.6 |
| Non-hazardous waste | Wastewater | tonnes | 6,293.3 | 12.2 |
| | Solid waste | kg | 42,406.5 | 82.0 |

## A.2. Use of Resources

The resources consumed by the Group in FY2018 includes energy and water, which are outlined 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. Dedicated gas storage devices can prevent gas leakage and reduce waste of resources.

**Electricity**

In FY2018, the total electricity consumption of the Group was 4,111,625.7 kWh (with an intensity of 7,952.9 kWh/employee). The total electricity consumption shows an increase compared to that of last year. The increase is contributed form the new logistic business segment. The Group strictly abides by the Group's energy conservation policies and regularly educates employees on energy conservation and emission reduction.

The electricity consumption comes from normal operation in gas stations and offices. To ensure the effective use of electricity, the Group has implemented measures below:

- Turn off unused 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, with no lower than 22°C in the summer and no higher than 24°C in the winter;
- Turn off lights, copy machines, and computers when employees leaving office for more than half an hour;
- Using appliances with energy-saving labels;
- Replace high electricity consumption lamps with electricity saving lamps for office lighting;
- Using energy-saving lights to replace traditional lights that are relatively more energy consuming; and
- Clean office equipment such as refrigerators, air conditioners and paper shredders regularly to ensure their efficiency.

**Water**

The Group encourages employees to save water in daily operations. The total water consumption of the Group was 6,327.1 $m^3$ in FY2018 with an intensity of 12.2 tonnes/employee. Due to the nature of our business, the Group did not face any problem in sourcing water in FY2018. To improve the utilization efficiency of water resources, the Group has included the following regulations in internal supervision:

- Perform regular education works on saving water among the staff;
- Present "Saving Water Resource" posters in prominent places to encourage water conservation;
- 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;
- Collect used water for cooling purposes, clean the floor or clean the site as much as possible; and
- Require employees to strictly adhere to the principle of water conservation in their daily work.

**Energy use**

The energy used by the Group in FY2018 includes gasoline, diesel and natural gas. The Group has encouraged energy saving through simple measures, such as making full use of transportation space, actively encouraging employees to commute by public transport and use new energy vehicles instead of traditional fuel vehicles. In FY2018, the Group consumed 32,761 litres gasoline, 1,888,312 litres diesel and 656,999 $m^3$ natural gas. Due to the unremitting efforts of the Group, the intensity gasoline consumption in FY2018 decreased from 72.9 litters per person to 63.4 litters per person. This was mainly due to the Group's use of natural gas as the power source for transportation.

Table 2 The Group's Total Use of Resources in FY2018

| Type | Resources | Unit | Amount | Intensity (Unit/employee) |
|---|---|---|---|---|
| Energy | Gasoline | Liter | 32,761 | 63.4 |
| | Diesel | Liter | 1,888,312 | 3,652.4 |
| | Natural gas | $M^3$ | 656,999 | 1,270.8 |
| Electricity | | kWh | 4,111,625 | 7,952.9 |
| Water | | $M^3$ | 6,327 | 12.2 |

## A.3. The Environment and Natural Resources

The natural resources used by the Group mainly include paper and natural gas. The Group's environmental impact is concentrated on GHG emissions and there are no other aspects that have a significant impact on the environment.

The Group continues to increase the proportion of vehicles that use natural gas as a source of power for vehicles, which can significantly reduce direct greenhouse gas emissions. Paper is another major natural resource used by the Group and the Group fulfill its important environmental responsibility by reducing the use of paper. In FY2018, in order to reduce the environmental impact of paper, the Group's measures include:

- Choose a greener paper supplier;
- Use recycled paper instead of plain paper to reduce natural resource losses;
- Require employees to print non-critical documents on both sides;
- Reuse paper that has been printed on one side; and
- Remind employees to check documents before printing.

For routine operation, the Group take active measures to reduce air emissions. In FY2018, the Group has no great impact on the environment, such as the leakage of natural gas.

# VI. 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 Group's human resources policies strictly adhere to the applicable employment laws and regulations in the PRC, mainly including the Labour Law of the People's Republic of China and Labour Dispute Mediation and Arbitration Law of the People's Republic of China. 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. Through various channels such as the Internet, institutional recruitment seminars and mediation, the Group recruits talents with competitive and fair compensation and benefits. The Group decides the compensation package based on the individuals' past performance, personal attributes, job experiences and career aspiration.

Retaining talent is 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 adjusts 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 another 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 address reasons for resignation. After approval, employees should report the human resources department in time to handle the resignation procedure afterwards. All employees should fulfil their responsibilities 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, sexual orientation, race or descent, nationality, ethnic origins 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.

To enhance employees' sense of belonging, the Group provides employees with various benefits including physical check and holiday presents. At the meantime, to facilitate employees' relationship, the Group organised a series of activities in FY2018, such as Employee Skill Competition, Safety Culture Sports Game, Employee Photographer Competition, Employee Table Tennis Competition to alleviate employees' pressure. Besides, the Group maintains timely and smooth communication with manager and general employees through social media, email and Wechat.

During the year under review, 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 a good working condition and a safe and healthy working environment, the Group has established occupational health and safety policies complying to relevant laws and regulations in 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, which can implement safety work from the Group policy, help all levels of personnel at the gas station to understand their responsibility for prevention and treatment of occupational diseases and enable employees to fulfill their own responsibility. In this way, employees can do their own work at different levels, prevent occupational disease prevention, and promote sustainable development of production. The Group also stipulates the management and staff to strictly follow the internal guidelines.

Meanwhile, the Group requires the main director of each gas refilling station to implement laws relating to occupational prevention and control. The Group also organises regular occupational safety trainings for directors and requests 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 late reporting, underreporting, false reporting or unreported of occupational hazards.

The Group is also equipped with occupational safety management personnel to study and implement the laws, regulations, rules and standards of the state on occupational hazards prevention, supervise the implementation of occupational hazard prevention and control responsibility system at all levels, ensure the health and safety of workers in the labour process, and monitor employee health.

The Group provides 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 provides occupational health training, regular occupational health examination and treatment.

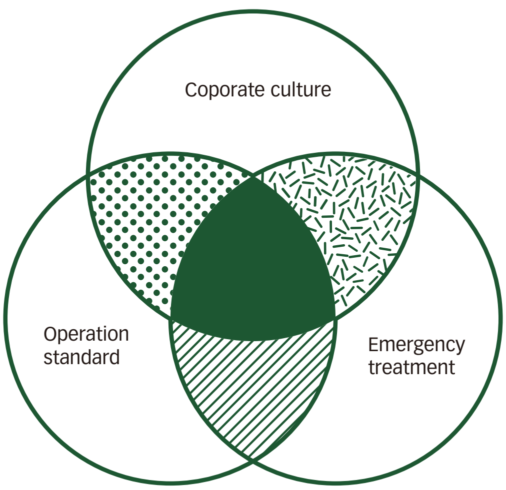
Given to the nature of the Group's business, the Group prohibits employees to smoke, drink or make phone calls in working areas and organises regular safety check and emergency exercise. All new employees should pass a series of safety training before commencing work. The trainings focus on occupational laws and its elementary knowledge, occupational health management regulations and operating process, use of protective equipment, and emergency rescue measures. The trainings are aimed to enhance employees' safety awareness and achieve no accident. The safety notice and warning sign are placed in the operation area of station. Safety slogans are updated from time to time depending on the needs of the event. The Group organises employees to take annual physical examination and bring the results into employee health record.

During FY2018, 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. No work-related accidents and any negative health and safety issues were found.

### 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, Gas Association of Jilin Province, Gas Association of Heilongjiang Province, Yanbian Prefecture Safety Supervision Bureau, Special Equipment Safety Technology Association of Heilongjiang Province, 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 FY2018, the main trainings hold by the Group were corporate cultural training, operation training and emergency treatment training.

**B.4. Labour Standards**

The Group strictly abides by the Labour Law of the People's Republic of China and other related labour laws and regulations 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 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 FY2018, the Group was not in violation of any 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 a corporate who sees implementing social responsibility is the basic policy, the Group requires suppliers to actively fulfil their environmental and social responsibility. The subsidiaries of the Group strictly monitor the quality and operation practices of the supply chain.

The main businesses of the Group are retailing natural gas and petroleum and gas transportation services for gas stations. The main suppliers of the Group's gas stations are Changchun Huarun LNG Co., Ltd., Changchun Automobile Gas Development Co., Ltd., and China Petrochemical Corporation Limited Jilin Natural Gas Company. In FY2018, the new suppliers of the Group's gas stations include Jilin Nuoshidda Energy Investment Co., Ltd., Jilin Huinong Energy Technology Co., Ltd., Jilin Ganghua Gas Co., Ltd. and Qianan Jixing Energy Co., Ltd. The major suppliers of oil and gas transportation services are China FAW Group Co., Ltd., and Hebei Hongtai Special Truck Co., Ltd.

*Gas refuelling station*

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 issued by third party 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 successful, the cooperation will continue, otherwise the backup supplier will be cooperated with instead. The Group did not find any unqualified incidents in FY2018.

The Group has established a list of qualified suppliers (suppliers incorporated therein 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 renewed annually.

During operation, the operation and management department is responsible for timely updating, confirming and checking the gas test report provided by the team supplier. If any violation of requirement or regulation is found, the operation and management department should contact the supplier in time and assist the supplier to rectify. Only suppliers who have fulfilled the Group's requirement after rectification can retain the cooperation with the Group. The Group has established a stable relationship with suppliers. In FY2018, no supplier non-compliance occurred.

*Petroleum and gas transportation*
petroleum and gas transportation services mainly involve the transportation of natural gas, liquefied petroleum gas, gasoline and diesel. At the early stage of purchasing, the procurement department needs to implement the bidding process and use the national standards for procurement. At the beginning of the procurement, a procurement team, composed of relevant functional departments according to the category and amount, selects the well-known enterprises in the industry to conduct field inspection, and conduct assessment according to the supplier's raw materials and service quality, past records, reputation and environment and social responsibility. Suppliers who meet the Group's procurement standards and requirements are marked as qualified suppliers. The supplier can be determined after voting in the procurement team.

The Group strives to reduce the environmental impact of procurement activities when working with suppliers. The Group resolutely opposes the use of environmentally polluting suppliers and uses environmentally friendly products in the procurement process. In FY2018, the Group purchased aluminium alloy trailers, which is used to reduce the environmental impact of vehicle transportation. At the same time, the Group conducts environmental behaviour interviews with suppliers to understand whether the products provided by the suppliers have major environmental hazards, past pollution accidents and whether they have adopted ethical environmental protection measures. These measures help the Group to effectively control, alleviate and prevent pollution.

**B.6. Product Responsibility**

The Group strictly complies the laws and regulations relating to construction and operation of gas refill station and petroleum and natural gas transportation, including but not limited to:

- Fire Protection Law of the People's Republic of China;
- Production Safety Law of the People's Republic of China;
- Road Traffic Safety Law of the People's Republic of China;
- Regulation of Automobile Transportation of Dangerous Goods; and
- Advertising Law of the People's Republic of China.

In FY2018, 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 serve the customer needs, that is, putting customers first, strictly controlling the quality of gas and service of gas refuelling station. The Group has established Legal Affairs Management System to follow up with legal affairs such as gas station licence registration and annual inspection, finishing lease registration, EIA approval, EIA acceptance and other affairs 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 labour 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. At the same time, the administrative department also needs to regularly assess the status of relevant licenses, master the time limit for expiration, pass the information to the directly responsible person, supervise its implementation, handle the planning and construction procedures of the gas station, and complete and record the inspection and acceptance of the project.

*Gas refuelling station*
For gas refuelling stations, the Group's operating department conducted a series of tests to ensure the safety and reliability of gas refuelling stations. The Group also obtained main safety operation certifications for gas refuelling 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 People's Republic of China, Intellectual Property Law of the People's Republic of China and Tort Law of the People's Republic of China for the maintenance and protection of the intellectual property. In FY2018 and past few years, the Important patents owned by the Group include: Preparation Equipment and Process and Thereof of a type of Low Propane and High Olefin Liquefied Petroleum Gas, Preparation Equipment of a type of Low Propane and 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 Law of the People's Republic of China on the Protection of Customer Rights and Interests, Personal Data (Privacy) Ordinance (Chapter 486 of Laws of Hong Kong), 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 customers' 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 Yafei Technology to manage the database. Only specific staffs, who have approved by the general manager, can reach the information.

*Petroleum and natural gas transportation*

The Group firmly believes that safety is the key to maintain long-term sustainable development and prioritise safety in the first place in any situation. To increase operation and management efficiency of logistics business, the Group adopts dual-driver mode for oil and gas transportation and installs vehicle GPS positioning system and vehicle video recording system to monitor vehicle status in time.

To ensure the safety of products and service, the Group organises regular road risk assessment, professional truck check, defensive driving training and equips trucks with emergency rescue supplies.

The Group is customer-oriented values customers' advice and has established and implemented a series of internal policy to manage customer service, collect customers' feedback and optimize customer service according to prioritisation. In FY2018, the focus of the Group's customer opinions was changed from offline to offline and online. In addition to setting up a 24-hour service call, the General Manager Mailbox will be added to the online platform, and the processing flow will be increased accordingly. At the end of the month, an analysis form will be provided and the work content to be improved next month will be adjusted according to the results.

The complaints received by the Group from the customers mainly focused on different understandings of the activity policies and service attitudes. The Group's approach to customer complaints is to establish a Free Pass for customer communication to achieve barrier-free communication with customers and to solve customer's most concerned issues in a timely manner.

### 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 perform their job responsibilities with integrity and self-discipline 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 under review, 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 is fully aware of the importance of fulfilling its social responsibilities to the Group and actively cooperates with and supports the local government's specific requirements in environmental protection, health and social governance in accordance with the local government's requirements for corporate social responsibility.

The social responsibility that the Group pays attention to is mainly education, environment, sports and health issues. In FY2018, the Group actively guides employees to participate in charitable activities and organizes employees to take part in activities of volunteer association on rest days to help disabled people and to convey greetings and donate clothes as well as daily necessities to the elderlies in the nursing home in Xinglong Mountain. The Group also donated brain game to Erdao District Yaoshi Primary School of Changchun City. At the meantime, the Group is widely involved in and actively promotes national fitness activities. The Group co-organised the Fifth United Strength Children's Swimming Championship in Changchun, hosted the United Strength County-level Chinese Chess Competition and other competition, which totally amounted to 8 games.

## VII. REPORT DISCLOSURE INDEX

| Aspects | ESG Indicators | Description | Page |
|---|---|---|---|
| **A. Environmental** | | | |
| A1: Emissions | General Disclosure | Information on:<br>(a) the policies; and<br>(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. | 29 |
| | KPI A1.1 | The types of emissions and respective emission data. | 30 |
| | KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 30 |
| | 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). | 30 |
| | KPI A1.5 | Description of measures to mitigate emissions and results achieved. | 29-30 |
| | KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 29-30 |

| Aspects | ESG Indicators | Description | Page |
|---|---|---|---|
| A2: Use of Resources | General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 30 |
| | KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility). | 32 |
| | KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 32 |
| | KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | 30-32 |
| | KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 30-32 |
| | KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | N/A |
| A3: The Environment and Natural Resources | General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | 32 |
| | KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 32 |
| **B. Social** | | | |
| **Employment and Labour Practices** | | | |
| B1: Employment | General Disclosure | Information on:<br>(a) the policies; and<br>(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. | 33-34 |
| B2: Health and Safety | General Disclosure | Information on:<br>(a) the policies; and<br>(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. | 34-35 |

| Aspects | ESG Indicators | Description | Page |
|---|---|---|---|
| B3: Development and Training | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 35 |
| B4: Labour Standards | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | 36 |
| **Operating Practices** | | | |
| B5: Supply Chain Management | General Disclosure | Policies on managing environmental and social risks of the supply chain. | 36-37 |
| B6: Product Responsibility | General Disclosure | Information on:<br>(a) the policies; and<br>(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. | 37-39 |
| B7: Anti-corruption | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 39 |
| **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. | 40 |

# 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 50, 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.

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 is also a substantial shareholder of the Company within the meaning of Part XV of the SFO.

**Mr. Liu Yingwu (劉英武先生)**, aged 50, 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 is also a substantial shareholder of the Company within the meaning of Part XV of the SFO.

**Mr. Xu Huilin (徐輝林先生)**, aged 43, 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.

**Mr. Yuan Limin (原立民先生)**, aged 59, is an executive Director and was appointed on 27 November 2018. He is primarily responsible for financial planning and management of our Group.

Mr. Yuan has more than 30 years' valuable experience in the capital, investment and financial analysis, and handled more than 15 listing and fund raising projects in China and Hong Kong. Mr. Yuan was appointed as executive director, deputy chairman of the Board and CEO of **China Graphene Group Limited from November 2015 to January 2018. Mr. Yuan was also the non-executive director and chairman of Asia Fashion Holdings Limited (Stock Code: BQI), a company listed on the main board of the Singapore Exchange Limited, during the period from December 2013 to October 2015. Mr. Yuan was a senior business analyst with American Etech Securities Inc. from 2009 to 2012. He was the general manager of the CAD Company of the China Ministry of Aerospace from 1987 to 1998 and was an analyst with the Beijing Government's Finance office from 1982 to 1985. Mr. Yuan graduated with a Bachelor degree in Finance at the Beijing Institute of Technology, the PRC.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Su Dan (蘇丹女士)**, aged 38, 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 45, was appointed as an independent non-executive Director on 21 September 2017. Mr. Lau is currently an independent non-executive director of **Kingdom Holdings Limited, **Xiezhong International Holdings Limited, **China Wood Optimization (Holding) Limited and **Sinco Pharmaceuticals Holdings Limited. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a Master's degree in finance from the City University of Hong Kong. He has extensive experience in financial and accounting in China and Hong Kong.

**Mr. Zhang Zhifeng (張志峰先生)**, aged 57, was appointed as an independent non-executive Director on 27 November 2018. Mr. Zhang has more than 37 years' valuable experience in banking and financing industry. Mr. Zhang is currently a senior account manager of Changchun Branch of Jilin Province of Industrial and Commercial Bank of China Limited ("ICBC"). Since November 2001, Mr. Zhang has held various management positions in different branches of ICBC. Mr. Zhang graduated with a Bachelor degree in Economic Management at the Jilin Provincial Party School of the Communist Party of China (中共吉林省委黨校) in March 2002.

## 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 36, 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 52, 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 51, 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 2018.

## 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 and provision of petroleum and gas transportation services. The activities of the principal subsidiaries are set out on page 102 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2018.

## 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 2018 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 62-63 of this annual report.

The Directors recommended the payment of a final dividend of HK$0.0852 per ordinary share, totaling HK$20,000,000 in respect of the year to shareholders on the register of members on 20 June 2019. The proposed final dividend for the year ended 31 December 2018 has been approved at the Company's Board meeting on 11 March 2019 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 2018 are set forth in note 22 to the consolidated financial statements.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, 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 Friday, 31 May 2019.

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 Thursday, 20 June 2019 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Friday, 14 June 2019 to Thursday, 20 June 2019, 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, 13 June 2019.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set forth in note 22 to the consolidated financial statements and in the consolidated statement of changes in equity on page 66 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB109.2 million. The amount of approximately RMB109.2 million includes the Company's share premium account of approximately RMB120.0 million and accumulated losses of approximately RMB10.8 million in aggregate as at 31 December 2018, which may be distributed 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 22 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 2018, 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 | 16% |
| Percentage of purchases attributable to the Group's five largest suppliers | 55% |
| Percentage of revenue from sales of goods attributable to the Group's largest customer | 14% |
| Percentage of revenue from sales of goods attributable to the Group's five largest customers | 20% |

Changchun Yitonghe, a connected person of our Company, is the Group's largest customer.

Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2017 and 2018.

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 2018 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)*
Mr. Liu Yingwu
Mr. Xu Huilin *(Chief Executive Officer)*
Mr. Wang Qingguo (resigned with effect from 27 November 2018)
Mr. Yuan Limin (appointed with effect from 27 November 2018)

### Independent Non-executive Directors

Ms. Su Dan
Mr. Lau Ying Kit
Mr. Yu Chen (resigned with effect from 27 November 2018)
Mr. Zhang Zhifeng (appointed with effect from 27 November 2018)

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 in pages 43-45 of this annual report.

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

Save as disclosed as update in Directors' and senior managements' biographies set out in pages 43-45 of this annual report. 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 2018 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, 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 2018 or at any time during the financial year ended 31 December 2018.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company, Mr. Zhao Jinmin, Mr. Liu Yingwu and Mr. Xu Huilin have entered into a service contract with the Company for a term of three years commencing on 1 April 2017, and Mr. Yuan Limin has entered into a service contract with the Company for a term of three years commencing on 27 November 2018, 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. The Company has issued an appointment letter to Ms. Su Dan, Mr. Lau Ying Kit and Mr. Zhang Zhifeng commencing on 1 September 2017, 1 September 2017, and 27 November 2018 respectively, 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 2018 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 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 notify 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% |

*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.*

### 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 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 31 December 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 31 December 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.

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 2018, 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 2018.

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 2018, 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 staff 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 2018.

## 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 has 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 year ended 31 December 2018 or as at 31 December 2018 are summarized as follows:

| | From 1 January 2018/ the effective date to 31 December 2018 |
|---|---|
| **Supply of gas transportation services**<br>(Annual Cap: RMB14,300,000) | |
| 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. | RMB1,640,000 |
| **Acquisition of gas transportation vehicles**<br>(Annual cap: RMB5,000,000) | |
| 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. | RMB Nil |

| | From 1 January 2018/ the effective date to 31 December 2018 |
|---|---|
| **The Cooperation Agreement** *(Note 1)* | |
| Rent in respect of the gas transportation vehicles (Annual cap: RMB2,990,000) | RMB2,170,000 |
| Rent in respect of the office premises (Annual cap: RMB1,160,000) | RMB1,000,000 |
| Oil refuelling fee in respect of the oil refuelling service (Annual cap: RMB7,630,000) | RMB7,190,000 |
| The cooperation agreement for 3 years by Changchun Yitonghe to Jieli Logistics in consideration for the payment of rent and oil refuelling fee. The agreement was entered on 19 January 2018. Details of the transactions are set out in the section headed "THE COOPERATION ARRANGEMENT" of the announcement dated 19 January 2018. | |

*Note 1: The annual cap for the year ended 31 December 2018 only took into account the rent in respect of the gas transportation vehicles, the rent in respect of the office premises, and the oil refuelling fee in respect of the oil refuelling service payable by Jieli Logistics to Changchun Yitonghe under the Cooperation Agreement from 6 March 2018, the effective date of the Cooperation Agreement, to 31 December 2018.*

| | |
|---|---|
| **Provision of Petroleum Transportation Service** *(Note 2)* (Annual cap: RMB44,070,000) | |
| Provision of petroleum transportation services for 3 years by Jieli Logistics to Changchun Yitonghe in consideration for the payment of transportation service fee. The agreement was entered on 19 January 2018. Details of the transactions are set out in the section headed "THE PROVISION OF PETROLEUM TRANSPORTATION SERVICE" of the announcement dated 19 January 2018. | RMB39,500,000 |

*Note 2: The annual cap for the year ended 31 December 2018 only took into account the aggregate transportation service fee received by Jieli Logistics from Changchun Yitonghe under the Petroleum Transportation Service Agreement from 6 March 2018, the effective date of the Petroleum Transportation Service Agreement, to 31 December 2018.*

| | |
|---|---|
| **The Management Agreement** *(Note 3)* (Annual Cap: RMB3,790,000) | |
| Provision of the management of petroleum transportation vehicles for 3 years by Jieli Logistics to Changchun Yitonghe in consideration for the management fee. The agreement was entered on 19 January 2018. Details of the transactions are set out in the section headed "THE MANAGEMENT OF PETROLEUM TRANSPORTATION VEHICLES" of the announcement dated 19 January 2018. | RMB3,300,000 |

*Note 3: The annual cap for the year ended 31 December 2018 only took into account the aggregate management fee received by Jieli Logistics from Changchun Yitonghe under the Management Agreement from 6 March 2018, the effective date of the Management Agreement, to 31 December 2018.*

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 2018. 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 2018

On 31 January 2019, United Strength Power International Limited ("United Strength BVI"), a wholly-owned subsidiary of the Company, as purchaser, Wang Jiawei (王嘉偉) as vendor and Wang Jiantao (王健濤) as guarantor of the Vendor, entered into the sales and purchase agreement, pursuant to which United Strength BVI acquired the entire issued share capital of Silver Spring Green Energy Limited and accepted the assignment of the shareholder's loan at the total consideration of HK$84,500,000.

For the details of the transaction mentioned above, please refer to the Company's announcement dated 31 January 2019.

On behalf of the Board
**Zhao Jinmin**
*Chairman*

11 March 2019

# 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 62 to 129, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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**<br>**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") sales volume and prices during the year ended 31 December 2018, 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 2018.<br><br>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. | Our audit procedures to assess the potential impairment of the property, plant and equipment and lease prepayments attributable to refuelling stations included the following:<br><br>• 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;<br><br>• assessing the appropriateness of the using of the value in use model for determining the recoverable amounts;<br><br>• 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)**<br>**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** |
| 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 and lease prepayments 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, purchase prices and sales volume of CNG, LPG and LNG, forecast expenses and the discount rates applied.<br><br>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, purchase price and sales volume 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;<br><br>• 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;<br><br>• 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;<br><br>• 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;<br><br>• 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<br><br>• 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.

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
11 March 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018 *(Expressed in Renminbi ("RMB"))*

| | *Note* | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26 (Note)* |
|---|---|---|---|
| **Revenue** | *4* | **348,166** | 256,147 |
| Cost of sales | | **(199,320)** | (144,805) |
| **Gross profit** | *4(b)* | **148,846** | 111,342 |
| Other income | *5* | **7,556** | 9,481 |
| Staff costs | *6(b)* | **(44,234)** | (34,583) |
| Depreciation and amortisation expenses | *6(c)* | **(16,989)** | (18,408) |
| Operating lease charges | *6(c)* | **(8,115)** | (7,062) |
| Other operating expenses | | **(27,952)** | (15,651) |
| **Profit from operations** | | **59,112** | 45,119 |
| Finance costs | *6(a)* | **(619)** | (426) |
| Costs incurred in connection with the initial listing of the Company's shares | | **–** | (21,339) |
| **Profit before taxation** | *6* | **58,493** | 23,354 |
| Income tax | *7* | **(14,946)** | (12,739) |
| **Profit for the year** | | **43,547** | 10,615 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **42,971** | 9,525 |
| Non-controlling interests | | **576** | 1,090 |
| **Profit for the year** | | **43,547** | 10,615 |
| **Earnings per share** | | | |
| – Basic and diluted (RMB) | *10* | **0.18** | 0.05 |

Note: *The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 22(b).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 *(Expressed in RMB)*

| | **2018** **RMB'000** | 2017 RMB'000 Restated – *Note 26* *(Note)* |
|---|---|---|
| **Profit for the year** | **43,547** | 10,615 |
| **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 | **7,079** | (241) |
| **Total comprehensive income for the year** | **50,626** | 10,374 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **50,050** | 9,284 |
| Non-controlling interests | **576** | 1,090 |
| **Total comprehensive income for the year** | **50,626** | 10,374 |

*Note:* *The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 *(Expressed in RMB)*

| | *Note* | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* *(Note)* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *11* | **73,791** | 74,093 |
| Lease prepayments | *12* | **44,937** | 44,129 |
| Deferred tax assets | *21(b)* | **1,601** | 2,974 |
| | | **120,329** | 121,196 |
| **Current assets** | | | |
| Inventories | *14* | **2,336** | 1,665 |
| Trade receivables | *15* | **3,724** | 7,845 |
| Prepayments, deposits and other receivables | *16* | **68,690** | 17,650 |
| Income tax recoverable | *21(a)* | **325** | 929 |
| Cash and cash equivalents | *17* | **127,918** | 151,265 |
| | | **202,993** | 179,354 |
| **Current liabilities** | | | |
| Bank loans | *18* | **25,000** | 15,000 |
| Trade and bills payables | *19* | **4,922** | 21,951 |
| Accrued expenses and other payables | *20* | **23,297** | 22,545 |
| Income tax payable | *21(a)* | **6,974** | 2,648 |
| | | **60,193** | 62,144 |
| **Net current assets** | | **142,800** | 117,210 |
| **Total assets less current liabilities** | | **263,129** | 238,406 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *21(b)* | **7,661** | 7,998 |
| **NET ASSETS** | | **255,468** | 230,408 |

*Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements.

| | *Note* | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* *(Note)* |
|---|---|---|---|
| **CAPITAL AND RESERVES** | *22* | | |
| Share capital | | **19,794** | 19,794 |
| Reserves | | **229,026** | 204,077 |
| **Total equity attributable to equity shareholders of the Company** | | **248,820** | 223,871 |
| **Non-controlling interests** | | **6,648** | 6,537 |
| **TOTAL EQUITY** | | **255,468** | 230,408 |

Approved and authorised for issue by the board of directors on 11 March 2019.

**Zhao Jinmin**
*Chairman*

**Xu Huilin**
*Director*

*Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 *(Expressed in RMB)*

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *(Note 22(c))* | Share premium RMB'000 *(Note 22(d)(i))* | Other reserve RMB'000 *(Note 22(d)(ii))* | Statutory reserve RMB'000 *(Note 22(d)(iii))* | Exchange reserve RMB'000 *(Note 22(d)(iv))* | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2017 (as previously reported)** | – | – | 65,291 | 2,819 | (49) | 69,343 | 137,404 | 5,249 | 142,653 |
| Adjustments in connection with the acquisition of a subsidiary under common control *(Note 26)* | – | – | 5,800 | 1,006 | – | 6,354 | 13,160 | – | 13,160 |
| **Balance at 1 January 2017 (as restated – *Note 26*)** | – | – | 71,091 | 3,825 | (49) | 75,697 | 150,564 | 5,249 | 155,813 |
| **Changes in equity for 2017:** | | | | | | | | | |
| Profit for the year (restated – *Note 26*) | – | – | – | – | – | 9,525 | 9,525 | 1,090 | 10,615 |
| Other comprehensive income for the year (restated – *Note 26*) | – | – | – | – | (241) | – | (241) | – | (241) |
| Total comprehensive income (restated – *Note 26*) | – | – | – | – | (241) | 9,525 | 9,284 | 1,090 | 10,374 |
| Issuance of share (restated – *Note 26*) | – | 20,000 | – | – | – | – | 20,000 | – | 20,000 |
| Effect on equity arising from the completion of a group reorganisation (restated – *Note 26*) | – | – | (75,808) | – | – | – | (75,808) | 198 | (75,610) |
| Capitalisation issue (restated – *Note 26*) | 14,849 | (14,849) | – | – | – | – | – | – | – |
| Issuance of shares by initial public offering (restated – *Note 26*) | 4,945 | 114,886 | – | – | – | – | 119,831 | – | 119,831 |
| | 19,794 | 120,037 | (75,808) | – | – | – | 64,023 | 198 | 64,221 |
| Balance at 31 December 2017 (as restated – *Note 26*) | 19,794 | 120,037 | (4,717) | 3,825 | (290) | 85,222 | 223,871 | 6,537 | 230,408 |

Note: *The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements.

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *(Note 22(c))* | Share premium RMB'000 *(Note 22(d)(i))* | Other reserve RMB'000 *(Note 22(d)(ii))* | Statutory reserve RMB'000 *(Note 22(d)(iii))* | Exchange reserve RMB'000 *(Note 22(d)(iv))* | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2018 (as previously reported)** | 19,794 | 120,037 | (10,517) | 2,819 | (290) | 76,778 | 208,621 | 6,537 | 215,158 |
| Adjustments in connection with the acquisition of a subsidiary under common control *(Note 26)* | – | – | 5,800 | 1,006 | – | 8,444 | 15,250 | – | 15,250 |
| Impact on initial application of IFRS 15 and IFRS 9 *(Note 2(c))* | – | – | – | – | – | (50) | (50) | – | (50) |
| **Balance at 1 January 2018 (as restated)** | 19,794 | 120,037 | (4,717) | 3,825 | (290) | 85,172 | 223,821 | 6,537 | 230,358 |
| **Changes in equity for 2018:** | | | | | | | | | |
| Profit for the year | – | – | – | – | – | 42,971 | 42,971 | 576 | 43,547 |
| Other comprehensive income for the year | – | – | – | – | 7,079 | – | 7,079 | – | 7,079 |
| Total comprehensive income | – | – | – | – | 7,079 | 42,971 | 50,050 | 576 | 50,626 |
| Dividends approved in respect of the previous year *(Note 22(b))* | – | – | – | – | – | (9,801) | (9,801) | – | (9,801) |
| Distributions paid by a subsidiary to non-controlling equity owners | – | – | – | – | – | – | – | (465) | (465) |
| Effect on equity arising from the acquisition of a subsidiary under common control *(Note 26)* | – | – | (15,250) | – | – | – | (15,250) | – | (15,250) |
| | – | – | (15,250) | – | – | (9,801) | (25,051) | (465) | (25,516) |
| **Balance at 31 December 2018** | 19,794 | 120,037 | (19,967) | 3,825 | 6,789 | 118,342 | 248,820 | 6,648 | 255,468 |

*Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018 *(Expressed in RMB)*

| | *Note* | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* *(Note)* |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | **58,493** | 23,354 |
| Adjustments for: | | | |
| Depreciation and amortisation | *6(c)* | **16,989** | 18,408 |
| Net gain on disposal of property, plant and equipment and land use rights | *5* | **(13)** | (132) |
| Finance costs | *6(a)* | **619** | 426 |
| Interest income | *5* | **(288)** | (469) |
| Net foreign exchange losses | *5* | **2,768** | – |
| Impairment losses on property, plant and equipment | | **600** | – |
| Changes in working capital: | | | |
| (Increase)/decrease in inventories | | **(671)** | 236 |
| Decrease/(increase) in trade receivables | | **4,055** | (6,810) |
| (Increase)/decrease in prepayments, deposits and other receivables | | **(47,535)** | 320 |
| (Decrease)/increase in trade and bills payables | | **(17,029)** | 16,964 |
| Increase/(decrease) in accrued expenses and other payables | | **2,176** | (2,769) |
| **Cash generated from operations** | | **20,164** | 49,528 |
| Income tax paid | *21(a)* | **(8,964)** | (5,505) |
| **Net cash generated from operating activities** | | **11,200** | 44,023 |
| **Investing activities** | | | |
| Payments for purchase of property, plant and equipment and land use rights | | **(18,141)** | (14,701) |
| Proceeds from disposal of property, plant and equipment and land use rights | | **59** | 301 |
| Payments for acquisitions of subsidiaries | *22(d) (ii)&26* | **(15,250)** | (75,808) |
| Deposit in connection with an acquisition of business | | **(3,505)** | – |
| Interest received | | **288** | 469 |
| **Net cash used in investing activities** | | **(36,549)** | (89,739) |

*Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 form part of these financial statements.

| | Note | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26*<br>*(Note)* |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from issuance of shares | | **–** | 20,000 |
| Proceeds from issuance of shares by initial public offering, net of share issuance expenses | | **–** | 123,917 |
| Proceeds from new bank loans | *17(b)* | **25,000** | 30,000 |
| Repayment of bank loans | *17(b)* | **(15,000)** | (30,000) |
| Net decrease in amounts due from related parties | *17(b)* | **–** | 25,679 |
| Dividends paid to equity shareholders of the Company | *17(b)* | **(9,801)** | – |
| Distributions paid to non-controlling equity owners of a subsidiary | *17(b)* | **(465)** | – |
| Interest paid | *17(b)* | **(619)** | (463) |
| **Net cash (used in)/generated from financing activities** | | **(885)** | 169,133 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(26,234)** | 123,417 |
| **Cash and cash equivalents at 1 January** | *17(a)* | **151,265** | 27,219 |
| **Effect of foreign exchange rate changes** | | **2,887** | 629 |
| **Cash and cash equivalents at 31 December** | *17(a)* | **127,918** | 151,265 |

*Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

The notes on pages 70 to 129 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 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 2018 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 year ended 31 December 2017 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 on the preparation of the financial statements is the historical cost basis.

## 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 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*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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.

#### (i) 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 retrospectively 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 the related tax impact at 1 January 2018.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

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

| Retained earnings | RMB'000 |
|---|---|
| Recognition of additional expected credit losses on financial assets measured at amortised cost | (66) |
| Related tax | 16 |
| Net decrease in retained earnings at 1 January 2018 | (50) |

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

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorises 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.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

| | IAS 39 carrying amount at 31 December 2017 RMB'000 | Remeasurement RMB'000 | IFRS 9 carrying amount at 1 January 2018 RMB'000 |
|---|---|---|---|
| **Financial assets carried at amortised cost** | | | |
| Cash and cash equivalents | 151,265 | – | 151,265 |
| Trade receivables | 7,845 | (66) | 7,779 |
| Other receivables (included in Prepayments, deposits and other receivables) | 2,346 | – | 2,346 |
| | 161,456 | (66) | 161,390 |

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in Notes 2(h)(i), 2(k) and 2(n).

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

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

b. *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 the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables); and

– lease receivables.

For further details on the Group's accounting policy for accounting for credit losses, see Note 2(h)(i).

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 | (66) |
| Loss allowance at 1 January 2018 under IFRS 9 | (66) |

c. *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 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

#### (ii) 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.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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 IASs 11 and 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 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 arising 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:

– 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 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 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 from sale of goods and rendering of services.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies (continued)

#### (iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

### (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.

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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) Business combination under common control

Business combinations arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the comparative period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's prospective. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognised directly in equity.

### (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(t)).

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### (ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Payments made on the acquisition of land held under an operating lease are stated at cost less accumulated amortisation and impairment losses (see Note 2(h)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the period of the lease term.

### (h) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments, contract assets and lease receivables

*(A) Policy applicable from 1 January 2018*

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables); and

– lease receivables.

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 and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivable.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

*(A) Policy applicable from 1 January 2018 (continued)*

Measurement of ECLs (continued)

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, lease receivables and contract assets 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.

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 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

*(A) Policy applicable from 1 January 2018 (continued)*

Significant increases in credit risk (continued)

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 recognisation. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(iv) 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.

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 payments;

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

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

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

*(B) Policy applicable prior to 1 January 2018*

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in 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 existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of trade and other receivables or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Credit losses and impairment of assets (continued)

#### (ii) Impairment of other non-current 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)

### (h) Credit losses and impairment of assets (continued)

#### (iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(h)(i) and (ii)).

### (i) Inventories and other contract costs

#### (i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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.

#### (ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(i)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Inventories and other contract costs (continued)

#### (ii) Other contract costs (continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(r).

### (j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

### (k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

### (l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

### (m) 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.

### (n) 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. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) 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.

### (p) 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Income tax (continued)

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (q) Provisions and contingent liabilities

Provisions are recognised 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are 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 control over the goods is transferred to the customer. 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 progressively based on percentage of completion.

#### (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. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

#### (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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) 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 transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

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.

### (t) 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.

### (u) 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(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.

### (v) 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 ADJUSTMENTS AND ESTIMATES

Notes 11(b) and 23 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 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**

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

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* *(Note)* |
|---|---|---|
| Disaggregated by major products or service lines: | | |
| – Sales of natural gas by operating refuelling stations | **275,474** | 213,634 |
| – Revenue from the provision of transportation services | **60,025** | 42,513 |
| – Revenue from the trading of liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") | **12,667** | – |
| | **348,166** | 256,147 |

*Note: The Group has initially applied IFRS15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS18 and IAS11 (see Note 2(c)(ii)).*

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

The Group's customer base is diversified for the sale of natural gas by operating refuelling stations, where there was one customer from the Group's provision of transportation services which is a related party of the Group, with whom transactions have exceeded 10% of the Group's revenues. In 2018, revenues from the provision of transportation services to this customer amounted to RMB50,327,000 (2017: RMB36,138,000 (restated – Note 26)). Details of the Group's concentrations of credit risk are set out in Note 23(a).

### (b) Segment reporting

The Group manages its businesses by business lines. 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 form the following reportable segments.

- Sale of natural gas: this segment sells compressed natural gas ("CNG"), LPG and LNG to vehicular end-users by operating refuelling stations and trading of LPG and LNG.

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

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### (i) Segment results, assets and liabilities

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

Revenue are allocated to the reportable segments with reference to sales and revenue 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 measure used for reporting segment is gross profit. The Group's other income, staff costs, depreciation and amortisation expenses, operating lease charges and other operating 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.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as 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.

| | | 2018 | |
|---|---|---|---|
| | Sale of natural gas RMB'000 | Provision of transportation services RMB'000 | Total RMB'000 |
| Disaggregated by timing of revenue recognition: | | | |
| – Point in time | 288,141 | – | 288,141 |
| – Over time | – | 60,025 | 60,025 |
| Revenue from external customers | 288,141 | 60,025 | 348,166 |
| Inter-segment revenue | 2,159 | 12,562 | 14,721 |
| Reportable segment revenue | 290,300 | 72,587 | 362,887 |
| Reportable segment profit (gross profit) | 99,560 | 49,286 | 148,846 |

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### (i) Segment results, assets and liabilities (continued)

| | 2017 | | |
|---|---|---|---|
| | Sale of natural gas RMB'000 Restated – *Note 26* *(Note)* | Provision of transportation services RMB'000 Restated – *Note 26* *(Note)* | Total RMB'000 Restated – *Note 26* *(Note)* |
| Revenue from external customers | 213,634 | 42,513 | 256,147 |
| Inter-segment revenue | 1,777 | 6,597 | 8,374 |
| Reportable segment revenue | 215,411 | 49,110 | 264,521 |
| Reportable segment profit (gross profit) | 80,107 | 31,235 | 111,342 |

Note: *The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see Note 2(c)(ii)).*

#### (ii) Reconciliations of reportable segment revenues and profit or loss

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **362,887** | 264,521 |
| Elimination of inter-segment revenue | **(14,721)** | (8,374) |
| Consolidated revenue (Note 4(a)) | **348,166** | 256,147 |

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| **Profit** | | |
| Reportable segment profit (gross profit) | **148,846** | 111,342 |
| Other income | **7,556** | 9,481 |
| Staff costs | **(44,234)** | (34,583) |
| Depreciation and amortisation expenses | **(16,989)** | (18,408) |
| Operating lease charges | **(8,115)** | (7,062) |
| Other operating expenses | **(27,952)** | (15,651) |
| Finance costs | **(619)** | (426) |
| Costs incurred in connection with the initial listing of the Company's shares | **–** | (21,339) |
| Consolidated profit before taxation | **58,493** | 23,354 |

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### (iii) Geographic information

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

| | **2018**<br>**RMB'000** | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Rental income from operating leases | **3,466** | 3,031 |
| Entrustment fee in connection with petroleum refuelling stations entrusted to a related party *(Note 25(a))* | **1,100** | 1,100 |
| Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party *(Note 25(a))* | **4,000** | 4,000 |
| Net gain on disposal of property, plant and equipment and land use rights | **13** | 132 |
| Net foreign exchange losses | **(2,768)** | – |
| Government grants | **1,129** | 103 |
| Interest income | **288** | 469 |
| Others | **328** | 646 |
| | **7,556** | 9,481 |

## 6 PROFIT BEFORE TAXATION

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

### (a) Finance costs:

| | **2018**<br>**RMB'000** | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Interests on bank loans | **619** | 426 |

No borrowing costs have been capitalised during the year ended 31 December 2018 (2017: RMBNil (restated – Note 26)).

## 6 PROFIT BEFORE TAXATION (continued)

### (b) Staff costs:

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Salaries, wages and other benefits | **39,835** | 30,797 |
| Contributions to defined contribution retirement plans | **4,399** | 3,786 |
| | **44,234** | 34,583 |

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.

### (c) Other items:

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*(Note)* |
|---|---|---|
| Depreciation and amortisation *(Notes 11 and 12)* | **16,989** | 18,408 |
| Operating lease charges in respect of property, plant and equipment and land use rights | **8,115** | 7,062 |
| Reversal of impairment losses on trade receivables *(Note 23(a))* | **(19)** | – |
| Auditors' remuneration – audit services | **3,000** | 2,450 |
| Cost of inventories *(Note 14(b))* | **191,997** | 135,305 |

*Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).*

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| **Current tax** *(Note 21(a))* | | |
| Provision for the year | **13,894** | 7,413 |
| **Deferred tax** *(Note 21(b))* | | |
| – Origination and reversal of temporary differences | **1,052** | 2,026 |
| – Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group | **–** | 3,300 |
| | **1,052** | 5,326 |
| | **14,946** | 12,739 |

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

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Profit before taxation | **58,493** | 23,354 |
| Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))* | **15,676** | 7,426 |
| Tax effect of non-deductible expenses | **2,026** | 3,848 |
| Tax concessions *(Note (iv))* | **(3,092)** | (2,125) |
| Tax effect of unused tax losses and temporary differences not recognised | **336** | 290 |
| Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group | **–** | 3,300 |
| Actual tax expense | **14,946** | 12,739 |

*Notes:*

*(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2018 (2017: 16.5% (restated – Note 26)).*

*(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.*

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

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

*Notes: (continued)*

*(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 2018 (2017: 25% (restated – Note 26)).*

*(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 2018 (2017: 15% (restated – Note 26)).*

## 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:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | 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 | – | 203 | – | 44 | 247 |
| Mr Liu Yingwu | – | 203 | – | 44 | 247 |
| Mr Wang Qingguo (resigned on 27 November 2018) | – | 203 | – | 44 | 247 |
| Mr Xu Huilin | – | 1,526 | 127 | 44 | 1,697 |
| Mr Yuan Limin (appointed on 27 November 2018) | – | 21 | – | – | 21 |
| **Independent non-executive directors** | | | | | |
| Ms Su Dan | 254 | – | – | – | 254 |
| Mr Yu Chen (resigned on 27 November 2018) | 233 | – | – | – | 233 |
| Mr Lau Ying Kit | 254 | – | – | – | 254 |
| Mr Zhang Zhifeng (appointed on 27 November 2018) | 21 | – | – | – | 21 |
| | 762 | 2,156 | 127 | 176 | 3,221 |

## 8 DIRECTORS' EMOLUMENTS (continued)

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 Restated – *Note 26* | Salaries, allowances and benefits in-kind RMB'000 Restated – *Note 26* | Discretionary bonuses RMB'000 Restated – *Note 26* | Retirement scheme contributions RMB'000 Restated – *Note 26* | Total RMB'000 Restated – *Note 26* |
| **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 |

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2017: two (restated – Note 26)) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2017: three (restated – Note 26)) individuals are as follows:

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Salaries, discretionary bonuses and other emoluments | **1,212** | 1,354 |
| Retirement scheme contributions | **15** | 51 |
| | **1,227** | 1,405 |

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:

| | **2018 Number of individuals** | 2017 Number of individuals Restated – *Note 26* |
|---|---|---|
| HK$Nil – HK$1,000,000 | **2** | 3 |

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for year ended 31 December 2018 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB42,971,000 and the weighted average of 234,502,000 ordinary shares in issue during the year.

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 RMB9,525,000 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 calculation of the weighted average number of ordinary shares are as follows:

| | **2018** **'000** | 2017 '000 Restated – *Note 26* |
|---|---|---|
| Issued ordinary shares at 1 January | **234,502** | 1 |
| Effect of capitalisation issue on the completion of the initial public offering | **–** | 175,875 |
| Effect of shares issued by initial public offering on 16 October 2017 | **–** | 12,368 |
| Weighted average number of ordinary shares at 31 December | **234,502** | 188,244 |

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017 (restated – Note 26).

## 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 (as restated – *Note 26*):** | | | | | |
| At 1 January 2017 | 24,964 | 51,452 | 57,318 | 674 | 134,408 |
| Additions | – | 2,585 | 4,145 | – | 6,730 |
| Disposals | – | – | (1,650) | – | (1,650) |
| At 31 December 2017 | 24,964 | 54,037 | 59,813 | 674 | 139,488 |
| **Accumulated depreciation (as restated – *Note 26*):** | | | | | |
| At 1 January 2017 | 5,815 | 24,649 | 19,381 | – | 49,845 |
| Charge for the year | 1,240 | 5,919 | 9,872 | – | 17,031 |
| Written back on disposals | – | – | (1,481) | – | (1,481) |
| At 31 December 2017 | 7,055 | 30,568 | 27,772 | – | 65,395 |
| **Carrying amount (as restated – *Note 26*):** | | | | | |
| At 31 December 2017 | 17,909 | 23,469 | 32,041 | 674 | 74,093 |
| **Cost:** | | | | | |
| At 1 January 2018 | **24,964** | **54,037** | **59,813** | **674** | **139,488** |
| Additions | **–** | **819** | **15,137** | **–** | **15,956** |
| Disposals | **–** | **–** | **(493)** | **–** | **(493)** |
| At 31 December 2018 | **24,964** | **54,856** | **74,457** | **674** | **154,951** |
| **Accumulated depreciation and impairment losses:** | | | | | |
| At 1 January 2018 | **7,055** | **30,568** | **27,772** | **–** | **65,395** |
| Charge for the year | **1,327** | **3,827** | **10,458** | **–** | **15,612** |
| Written back on disposals | **–** | **–** | **(447)** | **–** | **(447)** |
| Impairment loss *(Note 11(b))* | **–** | **600** | **–** | **–** | **600** |
| At 31 December 2018 | **8,382** | **34,995** | **37,783** | **–** | **81,160** |
| **Carrying amount:** | | | | | |
| At 31 December 2018 | **16,582** | **19,861** | **36,674** | **674** | **73,791** |

## 11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) At 31 December 2018, property certificates of certain properties with carrying amounts of RMB206,000 (2017: RMB225,000 (restated – Note 26), are yet to be obtained. At 31 December 2018, the Group is in the process of applying for the ownership certificates for these properties. Mr Zhao Jinmin has undertaken to procure the obtaining of the title documents for the abovementioned properties. If title documents could not be obtained, Mr Zhao Jinmin agreed to indemnify the Group for all the losses and damages arising therefrom.

(b) During the year ended 31 December 2018, in a view to satisfy the needs of its customers and traffic flow, the management of the Group have decided to redeploy certain LPG refuelling stations as CNG refuelling stations and ceased operation of a CNG refuelling station. The Group assessed the recoverable amounts of the related equipment and as a result the carrying amounts of these equipment were written down to their recoverable amounts of RMB661,000. The Group assessed the recoverable amounts of these refuelling equipment by using the value in use model. The inputs on which the recoverable amounts are based on are categorised as level 3 measurements. As a result, an impairment loss of RMB600,000 was recognised in "other operating expenses" in 2018.

(c) The Group leases out a number of properties (buildings and land use rights), and motor vehicles and other 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 2018, the aggregate carrying amounts of the properties (buildings and land use rights), and motor vehicles and other equipment leased out amounted to RMB4,628,000 (2017: RMB5,247,000 (restated – Note 26)).

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

| | **2018**<br>**RMB'000** | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Within 1 year | **1,897** | 2,887 |
| After 1 year but within 5 years | **2,366** | 3,912 |
| After 5 years | **3,414** | 3,974 |
| | **7,677** | 10,773 |

## 12 LEASE PREPAYMENTS

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| **Cost:** | | |
| At 1 January | **50,145** | 50,145 |
| Additions | **2,185** | – |
| At 31 December | **52,330** | 50,145 |
| **Accumulated amortisation:** | | |
| At 1 January | **6,016** | 4,639 |
| Charge for the year | **1,377** | 1,377 |
| At 31 December | **7,393** | 6,016 |
| **Carrying amount:** | | |
| At 31 December | **44,937** | 44,129 |

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 2018, land use right certificates of certain land use rights with carrying amounts of RMB11,777,000 (2017: RMB9,592,000 (restated – Note 26)) are yet to be obtained. At 31 December 2018, 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.

| Name of company | Place and date of establishment/ incorporation | Particulars of registered/ issued and paid-up capital | Percentage of ownership interest: The Group's effective interest | Percentage of ownership interest: Held by the Company | Percentage of ownership interest: 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 |
| Jilin Province Jieli Logistics Company Limited ("Jieli Logistics") *(Note 26)* (吉林省捷利物流有限公司)* | The PRC 21 April 2005 | RMB5,800,000 | 100% | – | 100% | Provision of transportation services |
| 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 ("Jixi Energy") *(Note 28(a))* (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 |

## 13 INVESTMENTS IN SUBSIDIARIES (continued)

| Name of company | Place and date of establishment/ incorporation | Particulars of registered/ issued and paid-up capital | Percentage of ownership interest: The Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|---|---|
| United Strength Power International Limited*** ("United Strength BVI") | The British Virgin Islands 4 January 2017 | 100 shares of United States dollar 'USD' 1 each | 100% | 100% | – | Investment holding |
| United Strength Power HK Limited*** | Hong Kong 17 January 2017 | 1 share | 100% | – | 100% | Investment holding |
| Yanbian Jieli Logistics Company Limited *(Note 26)* (延邊捷利物流有限公司)* | The PRC 13 April 2018 | RMB50,000,000 | 100% | – | 100% | Provision of transportation services |
| United Strength Investment Limited*** | The British Virgin Islands 6 July 2018 | 10,000 shares of USD 1 each | 51% | – | 51% | Investment holding |
| Sino Regent International Limited*** ("Sino Regent") | Hong Kong 18 September 2018 | 1 share | 51% | – | 100% | Investment holding |

*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.

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| NCI percentage: | | |
| – Jilin Clean Energy | **49%** | 49% |
| – Yanbian United Strength | **40%** | 40% |
| – Sino Regent | **51%** | N/A |
| Non-current assets | **11,413** | 5,376 |
| Current assets | **14,973** | 20,523 |
| Current liabilities | **(12,984)** | (12,743) |
| Net assets | **13,402** | 13,156 |
| Net assets attributable to NCI | **6,648** | 6,537 |

## 13 INVESTMENTS IN SUBSIDIARIES (continued)

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Revenue | **70,238** | 48,132 |
| Profit and total comprehensive income for the year | **1,194** | 2,239 |
| Profit and total comprehensive income attributable to NCI | **576** | 1,090 |

## 14 INVENTORIES

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

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Gases | **1,650** | 777 |
| Spare parts | **686** | 888 |
| | **2,336** | 1,665 |

### (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:

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Carrying amount of inventories sold | **191,997** | 135,305 |

## 15 TRADE RECEIVABLES

| | Note | **31 December 2018 RMB'000** | 1 January 2018 RMB'000 | At 31 December 2017 RMB'000 Restated – *Note 26* |
|---|---|---|---|---|
| Trade receivables, net of loss allowance, due from: | *(i)* | | | |
| – related parties | | **3,446** | 6,675 | 6,732 |
| – third parties | | **278** | 1,104 | 1,113 |
| | | **3,724** | 7,779 | 7,845 |

*Note:*

(i) *Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(c)(i)).*

All of the trade receivables 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 loss allowance, is as follows:

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Within 1 month | **3,638** | 7,823 |
| 1 to 3 months | **86** | 22 |
| | **3,724** | 7,845 |

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 23(a).

## 16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Note | 2018 RMB'000 | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|---|
| Prepayments for purchase of inventories and services from: | | | |
| – related parties | | **3,559** | 4,217 |
| – third parties | | **14,036** | 7,910 |
| | | **17,595** | 12,127 |
| Deposits for LPG and LNG related products supply contracts | | **39,304** | – |
| Prepayments for entrustment fee in connection with gas refuelling stations entrusted from third parties | | **4,688** | 3,177 |
| Advances to staff | | **142** | 387 |
| Deposit in connection with an acquisition of a business | *(i)* | **3,505** | – |
| Others | | **3,456** | 1,959 |
| | | **68,690** | 17,650 |

*Note:*

*(i) The amount represents a deposit placed to a third party vendor in entering into a negotiation for the Group's contemplated acquisition of the entire equity interests in another company. Further details are set out in Note 28(b).*

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

## 17 CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

| | 2018 RMB'000 | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Cash at bank and on hand | **127,918** | 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.

## 17 CASH AND CASH EQUIVALENTS (continued)

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's 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 | | | | |
|---|---|---|---|---|---|
| | Bank loans RMB'000 *(Note 18)* | Interest payable RMB'000 | Dividends payable RMB'000 | Advances from a related party RMB'000 | Total RMB'000 |
| **At 1 January 2018 (as restated – *Note 26*)** | 15,000 | – | – | – | 15,000 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from new bank loans | 25,000 | – | – | – | 25,000 |
| Repayment of bank loans | (15,000) | – | – | – | (15,000) |
| Dividends paid to equity shareholders of the Company | – | – | (9,801) | – | (9,801) |
| Distributions paid to non-controlled equity owners of a subsidiary | – | – | (465) | – | (465) |
| Advances from a related party | – | – | – | 6,000 | 6,000 |
| Repayments of advances from a related party | – | – | – | (6,000) | (6,000) |
| Interest paid | – | (619) | – | – | (619) |
| Total changes from financing cash flows | 10,000 | (619) | (10,266) | – | (885) |
| **Other Changes** | | | | | |
| Dividends approved in respect of the previous year | – | – | 9,801 | – | 9,801 |
| Distributions declared by a subsidiary | – | – | 465 | – | 465 |
| Finance costs *(Note 6(a))* | – | 619 | – | – | 619 |
| Total other changes | – | 619 | 10,266 | – | 10,885 |
| | – | – | – | – | – |
| **At 31 December 2018** | 25,000 | – | – | – | 25,000 |

## 17 CASH AND CASH EQUIVALENTS (continued)

### (b) Reconciliation of liabilities arising from financing activities (continued)

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | Bank loans RMB'000 *(Note 18)* | Interest payable RMB'000 | Net amount due from related parties RMB'000 | Net RMB'000 |
| **At 1 January 2017 (as restated – *Note 26*)** | 15,000 | 37 | 25,679 | (10,642) |
| **Changes from financing cash flows (restated – *Note 26*):** | | | | |
| Proceeds from new bank loans (restated – *Note 26*) | 30,000 | – | – | 30,000 |
| Repayment of bank loans (restated – *Note 26*) | (30,000) | – | – | (30,000) |
| Net decrease in amounts due from related parties (restated – *Note 26*) | – | – | (25,679) | 25,679 |
| Interest paid (restated – *Note 26*) | – | (463) | – | (463) |
| Total changes from financing cash flows (restated – *Note 26*) | – | (463) | (25,679) | 25,216 |
| **Other changes (restated – *Note 26*)** | | | | |
| Finance costs (*Note 6(a)*, restated – *Note 26*) | – | 426 | – | 426 |
| **At 31 December 2017 (as restated – *Note 26*)** | 15,000 | – | – | 15,000 |

## 18 BANK LOANS

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

| | 2018 RMB'000 | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Secured by property, plant and equipment and land use rights of the Group | **25,000** | 15,000 |

At 31 December 2018, the aggregate carrying amount of the property, plant and equipment and land use rights pledged for the Group's short-term bank loans is RMB14,593,000 (2017: RMB7,442,000 (restated – Note 26)).

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 23(b). At 31 December 2018, none of the covenants relating to the bank loans had been breached (2017: none (restated – Note 26)).

## 19 TRADE AND BILLS PAYABLES

| | 2018 RMB'000 | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Trade payables due to: | | |
| – related parties | **1,199** | – |
| – third parties | **3,723** | 1,951 |
| | **4,922** | 1,951 |
| Bills payables | **–** | 20,000 |
| | **4,922** | 21,951 |

All of the trade and bills 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 and bills payables, based on the invoice date, is as follows:

| | 2018 RMB'000 | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Within 3 months | **4,922** | 1,951 |
| 3 to 6 months | **–** | 20,000 |
| | **4,922** | 21,951 |

## 20 ACCRUED EXPENSES AND OTHER PAYABLES

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Payables for staff related costs | **2,083** | 1,868 |
| Deposits from customers | **1,446** | 1,260 |
| Payables for entrustment fee in connection with gas refuelling stations entrusted to a related party | **565** | 160 |
| Payables for acquisitions of property, plant and equipment and land use rights | **9,777** | 9,777 |
| Other taxes payables | **1,327** | 1,241 |
| Others | **2,908** | 3,081 |
| Financial liabilities measured at amortised cost | **18,106** | 17,387 |
| Receipts in advance from customers | **5,191** | 5,158 |
| | **23,297** | 22,545 |

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.

## 21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Income tax payable at 1 January, net | **1,719** | (189) |
| Provision for the year *(Note 7(a))* | **13,894** | 7,413 |
| Income tax paid | **(8,964)** | (5,505) |
| Income tax payable at 31 December, net | **6,649** | 1,719 |
| Representing: | | |
| Income tax payable | **6,974** | 2,648 |
| Income tax recoverable | **(325)** | (929) |
| | **6,649** | 1,719 |

## 21 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 | Credit loss allowance RMB'000 *Note 2(c)(i)* | Impairment loss on property, plant and equipment 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 2017 (as restated – *Note 26*) | 2,992 | 415 | – | – | (3,105) | – | 302 |
| (Charged)/credited to the consolidated statement of profit or loss *(Note 7(a))* (as restated – *Note 26*) | (1,805) | (312) | – | – | 91 | (3,300) | (5,326) |
| At 31 December 2017 (as restated – *Note 26*) | 1,187 | 103 | – | – | (3,014) | (3,300) | (5,024) |
| Impact on initial application of IFRS 9 *(Note 2(c)(i))* | – | – | 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 *(Note 7(a))* | **(1,183)** | **(51)** | **(4)** | **94** | **92** | **–** | **(1,052)** |
| At 31 December 2018 | **4** | **52** | **12** | **94** | **(2,922)** | **(3,300)** | **(6,060)** |

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

### (b) Deferred tax assets and liabilities recognised (continued)

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

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Deferred tax assets recognised in the consolidated statement of financial position | **1,601** | 2,974 |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **(7,661)** | (7,998) |
| | **(6,060)** | (5,024) |

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain deductible temporary differences of RMB6,204,000 (2017: RMB5,097,000 (restated – Note 26)) as it is not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdiction and entities. The cumulative tax losses comprised tax losses arose from various years, and each year's tax loss can only be carried forward for five years.

### (d) Deferred tax liabilities not recognised

At 31 December 2018 taxable temporary differences relating to the undistributed profits of the subsidiaries of the Group established in the PRC amounted to RMB135,600,000 at 31 December 2018 (2017: RMB82,510,000 (restated – Note 26)), 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.

## 22 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 22(c))* | Share premium RMB'000 *(Note 22(d)(i))* | Exchange reserve RMB'000 *(Note 22(d)(iv))* | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **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 | – | 20,000 | – | – | 20,000 |
| Capitalisation issue | 14,849 | (14,849) | – | – | – |
| Issuance of shares by initial public offering | 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 |
| **At 1 January 2018** | **19,794** | **120,037** | **(101)** | **(22,480)** | **117,250** |
| **Changes in equity for 2018:** | | | | | |
| Profit for the year | **–** | **–** | **–** | **21,461** | **21,461** |
| Other comprehensive income for the year | **–** | **–** | **6,806** | **–** | **6,806** |
| Total comprehensive income | **–** | **–** | **6,806** | **21,461** | **28,267** |
| Dividends approved in respect of the previous year *(Note 22(b))* | **–** | **–** | **–** | **(9,801)** | **(9,801)** |
| **At 31 December 2018** | **19,794** | **120,037** | **6,705** | **(10,820)** | **135,716** |

## 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Dividends

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

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Final dividend proposed after the end of the reporting period of HK$0.0852 per ordinary share (2017: HK$0.05 per ordinary share (restated – *Note 26*)) | **17,465** | 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

| | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.05 per ordinary share (2017: HK$Nil per ordinary share (restated – *Note 26*)) | **9,801** | – |

### (c) Share capital

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **No. of shares '000** | **HK$'000** | No. of shares '000 | HK$'000 |
| Authorised: | | | | |
| Ordinary shares of HK$0.1 each | **800,000** | **80,000** | 800,000 | 80,000 |

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **No. of shares '000** | **RMB'000** | No. of shares '000 Restated – *Note 26* | RMB'000 Restated – *Note 26* |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | **234,502** | **19,794** | – | – |
| Issuance of shares | **–** | **–** | 1 | – |
| Capitalisation issue | **–** | **–** | 175,875 | 14,849 |
| Issuance of shares by initial public offering | **–** | **–** | 58,626 | 4,945 |
| At 31 December | **234,502** | **19,794** | 234,502 | 19,794 |

## 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (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 balance of other reserve at 31 December 2017 (as restated – Note 26) represented by (i) the differences between the considerations paid and net assets acquired from business combinations under common control, acquisitions of non-controlling interests, and the Reorganisation took place prior to the initial listing of the Company's shares on the Stock Exchange; and (ii) the paid-in capital of Jieli Logistics, a company under common control, which was acquired by the Group in 2018 (see Note 26). Upon completion of the acquisition of Jieli Logistics in March 2018, the paid-in capital of Jieli Logistics were eliminated against the consideration of RMB15,250,000 paid when preparing the consolidated financial statements.

#### (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.

#### (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(s).

### (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.

## 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

**Trade receivables and contract assets**

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 or 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 2018, 33% (2017: 52% (restated – Note 26)) and 90% (2017: 92% (restated – Note 26)) of the trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

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 include individual and corporate customers, and 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 measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

**Other receivables**

The Group has assessed that the expected credit loss for other receivables is not material under the 12 months expected credit losses method. Thus no loss allowance provision was recognised for the year ended 31 December 2018.

## 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (a) Credit risk (continued)

**Other receivables (continued)**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

| | Expected loss rate | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| Current (not past due) | 0.8% | 3,675 | (29) |
| 1–30 days past due | 3% | – | – |
| 31–60 days past due | 10% | 54 | (5) |
| More than 60 days past due | 30% | 42 | (13) |
| | | 3,771 | (47) |

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

**Comparative information under IAS 39**

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(h)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMBNil were determined to be impaired. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

| | 2017 RMB'000 Restated – Note 26 |
|---|---|
| Current (not past due) | 7,823 |
| 1–30 days past due | 5 |
| 31–60 days past due | 9 |
| More than 60 days past due | 8 |
| | 7,845 |

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

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

## 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (a) Credit risk (continued)

**Comparative information under IAS 39 (continued)**

Movements in the loss allowance account in respect of trade receivables during the year is as follows:

| | 2018 RMB'000 | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|
| Balance at 31 December 2017 under IAS 39 | **–** | – |
| Impact on initial application of IFRS 9 *(Note 2(c)(i))* | **66** | – |
| Adjusted balance at 1 January | **66** | – |
| Reversal of impairment losses reversed during the year | **(19)** | – |
| Balance at 31 December | **47** | – |

### (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:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **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 Restated – *Note 26* | Carrying amount RMB'000 Restated – *Note 26* |
| Bank loans | **25,988** | **25,000** | 15,567 | 15,000 |
| Trade and bills payables | **4,922** | **4,922** | 21,951 | 21,951 |
| Accrued expenses and other payables measured at amortised cost | **18,106** | **18,106** | 17,387 | 17,387 |
| | **49,016** | **48,028** | 54,905 | 54,338 |

## 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

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

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Effective interest rate %** | **RMB'000** | Effective interest rate % | RMB'000 |
| | | | Restated – *Note 26* | Restated – *Note 26* |
| Fixed rate borrowings | **4.79%** | **25,000** | 4.79% | 15,000 |

### (d) Currency risk

The Group is exposed to currency risk primarily through receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

#### (i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

| | **2018** | 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | | Restated – *Note 26* |
| Dividends receivable from a subsidiary | **33,000** | – |

## 23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (d) Currency risk (continued)

#### (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates RMB'000** | **Increase/ (decrease) in profit after tax and retained profits RMB'000** | Increase/ (decrease) in foreign exchange rates RMB'000 Restated – *Note 26* | Increase/ (decrease) in profit after tax and retained profits RMB'000 Restated – *Note 26* |
| RMB | **5%** | **(1,650)** | N/A | N/A |
| | **(5%)** | **1,650** | N/A | N/A |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in their respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets.

### (e) 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 2018 and 2017.

## 24 COMMITMENTS

### (a) Capital commitments outstanding at 31 December 2018 not provided for in the consolidated financial statements were as follows:

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Commitments in respect of property, plant and equipment and land use rights: | | |
| – Authorised but not contracted for | 11,090 | 5,082 |

### (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2018<br>RMB'000 | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Within 1 year | 1,990 | 1,850 |
| After 1 year but within 5 years | 6,473 | 4,544 |
| After 5 years | 14,166 | 10,260 |
| | 22,629 | 16,654 |

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.

## 25 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

| | **2018**<br>**RMB'000** | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Sales of goods | **53** | 101 |
| Provision of transportation services | **50,327** | 36,138 |
| Purchases of goods | **10,496** | 8,438 |
| Rental income from operating leases | **124** | 359 |
| Entrustment fee in connection with petroleum refuelling stations entrusted to a related party *(Note 5)* | **1,100** | 1,100 |
| Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party *(Note 5)* | **4,000** | 4,000 |
| Operating lease charges | **4,307** | 4,220 |
| Entrustment fee in connection with gas refuelling stations entrusted from a related party | **1,751** | 1,310 |
| Carrying amount of property, plant and equipment purchased from a related party | **–** | 2,069 |
| Advances from a related party | **6,000** | – |
| Repayment of advances from a related party | **6,000** | – |
| Decrease in net amounts due from related parties | **–** | (23,679) |

### (b) Transactions with key management personnel of the Group

| | **2018**<br>**RMB'000** | 2017<br>RMB'000<br>Restated –<br>*Note 26* |
|---|---|---|
| Decrease in an amount due from a related party | **–** | (2,000) |

## 25 MATERIAL RELATED PARTY TRANSACTIONS(continued)

### (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 | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | | Restated – *Note 26* |
| Short-term employee benefits | **4,579** | 3,553 |
| Contributions to defined contribution retirement scheme | **260** | 236 |
| | **4,839** | 3,789 |

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

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

Certain related party transactions included in Notes 25(a), 25(b) and 26 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 the 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).

## 26 ACQUISITION OF A SUBSIDIARY UNDER COMMON CONTROL

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 was to acquire the entire equity interests in Jieli Logistics, a company under common control, 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.

## 26 ACQUISITION OF A SUBSIDIARY UNDER COMMON CONTROL (continued)

**(i)** 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) RMB'000 | Jieli Logistics RMB'000 | Elimination RMB'000 | The Group (as restated) RMB'000 |
|---|---|---|---|---|
| **Results of operations for the year ended 31 December 2017:** | | | | |
| **Revenue** | 215,411 | 49,110 | (8,374) | 256,147 |
| Cost of sales | (135,305) | (17,874) | 8,374 | (144,805) |
| **Gross profit** | 80,106 | 31,236 | – | 111,342 |
| Other income | 5,875 | 4,196 | (590) | 9,481 |
| Staff costs | (20,673) | (13,910) | – | (34,583) |
| Depreciation and amortisation expenses | (11,510) | (6,898) | – | (18,408) |
| Operating lease charges | (2,941) | (4,711) | 590 | (7,062) |
| Other operating expenses | (8,563) | (7,088) | – | (15,651) |
| **Profit from operations** | 42,294 | 2,825 | – | 45,119 |
| Finance costs | (426) | – | – | (426) |
| Costs incurred in connection with the initial listing of the Company's shares | (21,339) | – | – | (21,339) |
| **Profit before taxation** | 20,529 | 2,825 | – | 23,354 |
| Income tax | (12,004) | (735) | – | (12,739) |
| **Profit for the year** | 8,525 | 2,090 | – | 10,615 |
| **Attributable to:** | | | | |
| – Equity shareholders of the Company | 7,435 | 2,090 | – | 9,525 |
| – Non-controlling interests | 1,090 | – | – | 1,090 |
| **Profit for the year** | 8,525 | 2,090 | – | 10,615 |
| **Consolidated statement of financial position as at 31 December 2017:** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 51,230 | 22,863 | – | 74,093 |
| Lease prepayments | 44,129 | – | – | 44,129 |
| Deferred tax assets | 2,974 | – | – | 2,974 |
| | 98,333 | 22,863 | – | 121,196 |

## 26 ACQUISITION OF A SUBSIDIARY UNDER COMMON CONTROL (continued)

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

| | **The Group (as previously reported)** RMB'000 | **Jieli Logistics** RMB'000 | **Elimination** RMB'000 | **The Group (as restated)** RMB'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Inventories | 1,311 | 354 | – | 1,665 |
| Trade receivables | 1,113 | 6,732 | – | 7,845 |
| Prepayments, deposits and other receivables | 14,161 | 3,705 | (216) | 17,650 |
| Income tax recoverable | 929 | – | – | 929 |
| Cash and cash equivalents | 145,524 | 5,741 | – | 151,265 |
| | 163,038 | 16,532 | (216) | 179,354 |
| **Current liabilities** | | | | |
| Bank loans | 15,000 | – | – | 15,000 |
| Trade and bills payables | 1,391 | 20,560 | – | 21,951 |
| Accrued expenses and other payables | 19,830 | 2,931 | (216) | 22,545 |
| Income tax payable | 1,994 | 654 | – | 2,648 |
| | 38,215 | 24,145 | (216) | 62,144 |
| **Net current assets/(liabilities)** | 124,823 | (7,613) | – | 117,210 |
| **Total assets less current liabilities** | 223,156 | 15,250 | – | 238,406 |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 7,998 | – | – | 7,998 |
| **NET ASSETS** | 215,158 | 15,250 | – | 230,408 |
| **Consolidated cash flow statement for the year ended 31 December 2017:** | | | | |
| Net cash generated from operating activities | 22,581 | 21,442 | – | 44,023 |
| Net cash used in investing activities | (87,733) | (2,006) | – | (89,739) |
| Net cash generated from/(used in) financing activities | 184,233 | (15,100) | – | 169,133 |

## 26 ACQUISITION OF A SUBSIDIARY UNDER COMMON CONTROL (continued)

**(ii)** The carrying amounts of assets and liabilities at the date of combination are as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment | 21,660 |
| Inventories | 194 |
| Trade receivables | 1,453 |
| Prepayments, deposits and other receivables | 5,250 |
| Cash and cash equivalents | 832 |
| Trade payables | (2,401) |
| Accrued expenses and other payables | (10,987) |
| Income tax payable | (171) |
| Net assets | 15,830 |

## 27 COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

| | *Note* | **2018 RMB'000** | 2017 RMB'000 Restated – *Note 26* |
|---|---|---|---|
| **Non-current asset** | | | |
| Investment in a subsidiary | *13* | **1** | 1 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | **40,677** | 33,657 |
| Dividends receivable | | **33,000** | – |
| Cash and cash equivalents | | **62,054** | 83,592 |
| | | **135,731** | 117,249 |
| **Current liabilities** | | | |
| Other payables | | **16** | – |
| | | **16** | – |
| **Net current assets** | | **135,715** | 117,249 |
| **NET ASSETS** | | **135,716** | 117,250 |
| **CAPITAL AND RESERVES** | *22* | | |
| Share capital | | **19,794** | 19,794 |
| Reserves | | **115,922** | 97,456 |
| **TOTAL EQUITY** | | **135,716** | 117,250 |

Approved and authorised for issue by the board of directors on 11 March 2019.

**Zhao Jinmin**
*Chairman*

**Xu Huilin**
*Director*

## 28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### (a) Disposal of a subsidiary

On 1 January 2019, the Company, through a wholly-owned subsidiary, entered into a sale and purchase agreement with a third party to dispose of the Group's entire equity interests in Jixi Energy at a consideration of RMBNil. The disposal has been completed in January 2019.

### (b) Acquisition of the entire entity interests in a company

On 31 January 2019, the Company, through a wholly-owned subsidiary, entered into a sale and purchase agreement with a third party to acquire the entire issued share capital of Silver Spring Green Energy Limited, a company incorporated in Hong Kong, which in turn holds 30% equity interests in China Travel Service International Financial Leasing Company Limited, a company established in the PRC, with a total consideration of HK$84,500,000, representing cash consideration of HK$18,902,000 and the assumption of a shareholder's loan of HK$65,598,000. Up to the date of issue of these consolidated financial statements, the above acquisition has yet to be completed.

### (c) Proposed final dividends

On 11 March 2019, the directors of the Company proposed a final dividend. Further details are disclosed in Note 22(b).

## 29 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

As a result of acquisition of a subsidiary under common control, comparative information has been restated. Further details of the restatements are disclosed in Note 26.

## 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 2018 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.

(Expressed in RMB unless otherwise indicated)

## 31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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* |
|---|---|
| IFRS 16, *Leases* | 1 January 2019 |
| IFRIC 23, *Uncertainty over income tax treatments* | 1 January 2019 |
| Annual Improvements to IFRSs 2015–2017 cycle | 1 January 2019 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS 16 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 16, the actual impact upon the initial adoption of this standard 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 standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

### 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.

## 31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in Note 24(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB22,629,000 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 detail analysis to determine the amounts of new assets and liabilities arising from operating lease commitment on adoption of IFRS 16, after taking into account of the applicability of the practical expedient.

# 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 2018 is extracted from the financial statements in this annual report while such for 2015 and 2016 is extracted from the prospectus of the Company dated 29 September 2017.

## RESULTS

| | **2018 RMB'000** | 2017 RMB'000 Restated | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|
| Revenue | **348,166** | 256,147 | 274,605 | 292,127 |
| Profit before taxation | **58,493** | 23,354 | 45,279 | 35,594 |
| Income tax | **(14,946)** | (12,739) | (10,653) | (7,334) |
| Profit for the year | **43,547** | 10,615 | 34,626 | 28,260 |
| Attributable to: | | | | |
| Equity shareholders of the Company | **42,971** | 9,525 | 34,186 | 26,190 |
| Non-controlling interests | **576** | 1,090 | 440 | 2,070 |
| Profit for the year | **43,547** | 10,615 | 34,626 | 28,260 |

## ASSETS AND LIABILITIES

| | **2018 RMB'000** | 2017 RMB'000 Restated | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|---|
| Total assets | **323,322** | 300,550 | 205,409 | 156,880 |
| Total liabilities | **67,854** | 70,142 | 62,756 | 48,804 |
| | **255,468** | 230,408 | 142,653 | 108,076 |
| Total equity attributable to | | | | |
| Equity shareholders of the Company | **248,820** | 223,871 | 137,404 | 103,267 |
| Non-controlling interests | **6,648** | 6,537 | 5,249 | 4,809 |
| | **255,468** | 230,408 | 142,653 | 108,076 |