眾誠能源

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2337

ANNUAL REPORT 2019

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin *(Chairman)*
Mr. Liu Yingwu
Mr. Xu Huilin *(Chief Executive Officer)*
Mr. Yuan Limin

Independent Non-Executive Directors

Ms. Su Dan
Mr. Lau Ying Kit
Mr. Zhang Zhifeng

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 54, 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

Wan & Tang
23/F, Somptueux Central
52 Wellington Street
Central
Hong Kong

AUDITOR

KPMG
(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
8th Floor, Prince's Building
10 Chater 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	**2019 RMB'000**	2018 RMB'000
Revenue		**403,248**	348,166
Gross profit		**176,502**	148,846
Profit for the year		**35,693**	43,547
Profit attributable to equity shareholders of the Company		**35,642**	42,971
Gross profit margin		**44%**	43%
Earnings per share			
— Basic & Diluted (RMB)		**0.15**	0.18
Total assets		**427,670**	323,322
Net assets		**274,762**	255,468
Liquidity and Gearing			
Current ratio	*1*	**2.50**	3.37
Quick ratio	*2*	**2.48**	3.33
Gearing ratio	*3*	**36%**	21%

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

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 2019 (hereinafter referred to as the "**Reporting Period**").

Zhao Jinmin *Chairman*

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Looking back at 2019, although the Sino-US trade negotiation hit constant bumps, China's macro economy maintained generally stable and progressive. According to the State Statistics Bureau, the annual GDP in 2019 was RMB99 trillion, representing a year-on-year growth of 6.1%, in line with the expected range between 6% and 6.5%.

At the same time, China has also entered a new phase of energy structure adjustment promoting gas consumption. Natural gas production maintained a high growth rate coupled with steadily growing demand, allowing natural gas to gradually replace traditional energy sources such as coal and petroleum. China's natural gas consumption reached 304 billion cubic meters in 2019 with fast growth of production and imports, all three of which recorded a year-on-year increase of over 9%. The proportion of natural gas in China's primary energy consumption has jumped from 5.7% in 2014 to 8.3% in 2019, fulfilling the target of energy-related institution transformation set out in the "13th Five-Year Plan on Natural Gas Development" in advance.

Thanks to favorable national policies, the natural gas industry not only enjoyed rapid development, but also showed tremendous potential. During the reporting period, the government attached great importance to the sustainable development of clean energy and a low-carbon, green economy, and introduced a number of favorable policies for the industry. It is worth mentioning that the National Petroleum and Natural Gas Pipe Network Group Co., Ltd. was established in December 2019, separating pipeline transportation from production and sales and opening itself to third-party entities in a fair manner, which is conducive to benign market competition. With policy incentives and development on the technology side, China has vigorously developed natural gas fueled vehicles, accelerated the construction of natural gas refuelling stations and increased the use of natural gas in recent years, laying a good foundation for the future development of the natural gas vehicle industry. Benefiting from national policies, the Group achieved an operating profit of RMB58.9 million this year.

FUTURE PROSPECTS

2020 is the concluding year of the "13th Five-Year Plan" when a moderately prosperous society is to be built in an all-round way. The 2019 Central Economic Work Conference emphasized that China is at a critical point to tackle various tasks including changing the development mode, optimizing the economic structure and transforming the growth momentum. At this point, structural, institutional and cyclical issues tangle together, creating threefold negative influence, intensifying the downward economic pressure and exerting a general influence over energy consumption. With the acceleration of economic restructuring and energy consumption structure optimization, the development of clean energy, improvements on energy efficiency, deepening of international energy cooperation and down-to-earth implementation of the new energy security strategies will help secure China's stable economic development.

China has just entered the rapid development phase of natural gas. The China-Russia east-route natural gas pipeline – a major international project on strategic natural gas cooperation and the largest energy cooperation project between China and Russia up to the moment – was put into operation in December last year. In light of the "13th Five-Year Plan on Energy Development" and a number of national policies issued in recent years, the demand for natural gas consumption is expected to continue to grow at a relatively high rate. As one of the pioneers in the industry, the Group will actively expand its business areas and explore its potential by utilizing its own and regional competitive advantages.

In order to further expand its business, the Group will explore areas related to its main business and grow along the industrial chain to promote diversification of income sources. The Company entered into the sales and purchase agreement to acquire the entire issued share capital of Eternal Global Investment Limited ("**Eternal Global**") on 18 September 2019. Eternal Global was the largest independent refuelling station operator in Northeast China in terms of annual sales of refined oil products in 2018, accounting for approximately 1.0% of total market share in Northeast China (comprising independent and state-owned refuelling station operators). This proposed acquisition will help the Group to tap into potential businesses such as the refuelling and oil wholesale, laying a solid foundation for the Group's expansion into other regions in China, while diversifying the Group's revenue sources and providing attractive investment opportunities, thus enhancing the Group's competitiveness in the industry.

Looking ahead into 2020, challenges and opportunities coexist. The recent new coronavirus (nCoV) outbreak in Mainland China has affected the Group's business to a certain extent. While protecting the health and safety of its employees, the Company will continue to adopt a cost-saving strategy to maintain profitability, but it is expected that the performance in the first half of the year may fall behind comparing with the same period of 2019. In the future, the government will continue to promote the use of natural gas vehicles and the construction of natural gas refuelling stations. The Group will continue to focus on natural gas sales and transportation businesses, while seeking new development opportunities and exploring margin growth potential on the basis of consolidating its advantageous position in the CNG refuelling station market in Jilin Province, so as to realize the steady development of the entire business and create valuable returns for shareholders.

APPRECIATION

In a market environment surrounded by opportunities and challenges, we are deeply grateful for the long-term support from our shareholders, investors and business partners and the hard work of our management and all employees. The Board would like to express its sincere gratitude to shareholders, business partners, management and all members of staff of the Group for their support and dedication throughout the year.

Zhao Jinmin
Chairman

Hong Kong

25 March, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In recent years, China is accelerating the "gasification" transformation of its energy structure and has entered a new phase of energy structure adjustment. The proportion of natural gas in China's primary energy consumption has increased from 5.7% in 2014 to 8.3% in 2019, reaching the target set in the "13th Five-Year Plan" ahead of schedule.

China's natural gas production has maintained a high growth rate over the past few years, and the demand for natural gas has also grown steadily. In 2019, China's natural gas consumption reached 304 billion cubic meters, increasing by 9.6% year on year; natural gas production was 173.3 billion cubic meters (excluding coal-bed gas produced by local enterprises), representing an increase of 9.6% year on year; natural gas imports reached 137.3 billion cubic meters, representing an increase of 9.4% year on year. It is expected that the natural gas demand will continue to grow with a huge development potential.

During the reporting period, the PRC government attached great importance to the sustainable development of clean energy and a green and low-carbon economy, and introduced a number of favorable policies for the industry. During the CPPCC and NPC sessions in March 2019, Premier Li Keqiang reiterated the need to accelerate the reform of the power, oil and gas, and railway sectors. The National Development and Reform Commission also issued a document in the same month calling for the establishment of the National Petroleum and Natural Gas Pipe Network Group Co., Ltd. to separate pipeline transportation from sales of oil and gas. At the National Energy Conference in October 2019, Premier Li Keqiang reiterated that more liberal policies will be adopted on oil and gas exploration and development, investment and construction of oil and gas pipeline network, liquefied natural gas (LNG) terminals and gas storage and peak shaving facilities, and market access for power distribution and sales businesses. The National Petroleum and Natural Gas Pipe Network Group Co., Ltd. was officially established in December 2019. There were several government documents related to energy resources issued during the reporting period, including the "Opinions on Matters Related to the Promotion of Mineral Resources Management Reform (Trial)" by the Ministry of Natural Resources, the "Opinions on Further Strengthening and Standardizing Energy Supervision" by the National Energy Administration, and the "Notice on Further Strengthening the Management of Environmental Impact Assessment of the Oil and Gas Industry" by the Ministry of Ecology and Environment. Benefiting from favorable industry policies, the natural gas industry continued to develop rapidly.

China's natural gas vehicle ownership has ranked first in the world for consecutive years, and the total number of natural gas refuelling stations has exceeded 9,000. Benefitting from the continuous advances in technology and the launch of favorable policies, China's natural gas vehicle industry has developed rapidly in recent years. Vigorous development of natural gas fuelled vehicles,

acceleration in the construction of natural gas refuelling stations and improvements in natural gas utilization are also among the strategic requirements to promote energy structure adjustment and market development. With the continuous tightening of national environmental protection policies, the natural gas vehicle industry is well positioned for future development, largely stimulating natural gas consumption in natural gas refuelling stations.

In January 2011, the "Strategic Cooperation Framework Agreement" was entered between the Jilin Provincial Government and CNPC to jointly advance the "Jilin Gasification" project. In October 2015, the Shenyang-Changchun Trunk Line finished construction and was put into operation. In December 2019, under the joint witness of the heads of China and Russia, the northern section of the China-Russia east-route gas pipeline became operational and started natural gas transportation, providing development opportunities for the natural gas vehicle and CNG refuelling station industries in Jilin Province. During the reporting period, Jilin Province continued to push forward the "Jilin Gasification" project, speeding up the construction of natural gas infrastructure and securing the supply of natural gas. Overall speaking, the automobile refuelling market enjoys a bright future.

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 2019. 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 a wholly owned subsidiary of the Group, Jilin Province Jieli Logistics Company Limited ("**Jieli Logistics**"), 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 2019, the Group recorded the sales of natural gas income of RMB328.2 million, representing a year-on-year growth of 14% and accounted for 81% of the total revenue of the same year. During the year, the sales volume of CNG reached 74.8 million cubic meters (2018: 66.7 million cubic meters), representing an increase of 12% 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 2019:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	12	0	1	13
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	**22**	**2**	**3**	**27**
Wuchang City, Heilongjiang Province	0	1	0	1
Total station(s) in Heilongjiang Province	**0**	**1**	**0**	**1**
Dandong City, Liaoning Province	0	0	1	1
Total station(s) in Liaoning Province	**0**	**0**	**1**	**1**
Total:	**22**	**3**	**4**	**29**

Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For 2019, the Group recorded the transportation income of RMB75.0 million (2018: RMB60.0 million), representing a year-on-year growth of 25% and accounted for 19% of the total revenue of the same year.

At present, Jieli Logistics and its subsidiary own and manage a fleet of over 100 dangerous goods transport vehicles, including 40 locomotives, 36 trailers and 23 head-mounted integrated vehicles (for oil transport), as well as 20 locomotives and 51 trailers (for gas transport). In addition to its own vehicles, Jieli Logistics also (i) manages and operates certain transportation facilities (for oil transport) for Changchun Yitonghe Petroleum Distribution Company Limited ("**Changchun Yitonghe**") and (ii) leases certain transportation facilities (for gas transport) from Changchun Yitonghe and its subsidiaries ("**Yitonghe Group**") for its business.

During the reporting period, United Strength Power International Limited, a wholly-owned subsidiary of the Group, completed the acquisition of all the equity interests of Silver Spring Green Energy Limited ("**Silver Spring**") which 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 favourable 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. For details, please refer to the announcement of the Company dated 31 January 2019.

The Company also entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Eternal Global at the consideration of HK$650 million. The acquisition is considered to be the first step for the Group to tap into the potential new business, and is expected to further enhance the Company's presence in the energy market in the Northeast China as well as to facilitate the Company to lay a solid foundation for its expansion roadmap in other parts of the PRC. It also allows the Group to make full use of the existing refuelling station network of Changchun Yitonghe for expansion of the Group's refuelling business. The acquisition will create synergies between the target group's petroleum refuelling business and the Group's existing gas refuelling business, thereby enhancing the competitive strength of the Company in the energy industry. In particular, the acquisition enables the Group to: (a) expand the network, market share and scale of the enlarged Group's petroleum refuelling business and gas refuelling Business in the Northeast China; (b) provide a richer product portfolio and a broader sales network; (c) leverage opportunities to acquire business licenses and permits and operation rights; (d) enhance the Group's bargaining power when negotiating with existing and new suppliers; and (e) through cost-saving measures (including shared services and back office integration), improve the Company's cost of information and technology and efficiency of corporate operation. For details, please refer to the announcements of the Company dated 18 September, 25 September 2019 and 28 February 2020.

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 2019, the Group's revenue amounted to RMB403.2 million, representing an increase of RMB55.0 million or 16% from RMB348.2 million in 2018. The increase in revenue was mainly attributable to the increase in the sales volume of the natural gas by operating refuelling stations.

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 transportation costs. In 2019, the Group's cost of sales increased by 14% to RMB226.7 million from RMB199.3 million in 2018 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 2019.

The gross profit for 2019 was RMB176.5 million (2018: RMB148.8 million), with a gross profit margin of 44% (2018: 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 2019, other income amounted to RMB8.4 million, representing an increase of RMB0.8 million from RMB7.6 million in 2018.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2019, staff costs amounted to RMB50.5 million, representing an increase of RMB6.3 million from RMB44.2 million in 2018. The increase in staff costs was principally attributable to the increase in number of staff and average salary for staff during 2019.

Operating Lease Charges, Other Operating Expenses and Finance Costs

The Group has initially applied IFRS 16 at 1 January 2019, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

To ease the transition of IFRS 16, the Group elected not to apply the requirements of IFRS 16 in respect to the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease terms ends on or before 31 December 2019.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense in "other operating expenses" in the statement of profit or loss on a systematic basis over the lease term.

Other operating expenses, including utilities expenses related to gas refuelling stations, expenses for entrusted refuelling stations, professional fees and other general office expenses increased by 63%, from RMB28.0 million to RMB45.5 million. The increase was mainly attributable to combined effect of the increase insurance expenses and the increase in legal and professional fees for the year ended 31 December 2019.

For 2019, the finance costs amounted to approximately RMB6.7 million (2018: approximately RMB0.6 million). The increase in finance costs was mainly attributable to the combined effect of the increase in average loan interest rate and loan amount during 2019 and the increase in interest expenses on lease liabilities recognised in accordance with IFRS 16.

Share of Profits of a Joint Venture

With the completion of acquisition of Silver Spring, the Group shared a profits from the joint venture of the Group with CTS Financial Leasing, which is held as to 30% indirectly by the Group upon completion of the acquisition. The share of profits of CTS Financial Leasing amounted to approximately RMB1.0 million for 2019.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2019 decreased by RMB5.2 million, constituting a profit of RMB53.3 million (2018: RMB58.5 million).

Income Tax Expenses

In 2019, income tax expenses increased by RMB2.7 million, or 18%, to RMB17.6 million from RMB14.9 million in 2018. Such increase was mainly due to the tax effect of non-deductible expenses during 2019.

Profit for the Year

For 2019, the net profit of the Group amounted to RMB35.7 million, representing a decrease of RMB7.8 million from RMB43.5 million in 2018.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2019. Total assets increased by 32% to RMB427.7 million (31 December 2018: RMB323.3 million) while total equity increased by 8% to RMB274.8 million (31 December 2018: RMB255.5 million). As at 31 December 2019, the Group had prepayments, deposits and other receivables of approximately RMB122.3 million (31 December 2018: RMB68.7 million). The increase was mainly attributable to the increase in deposits made to suppliers to secure the supply of the related products for the Group's trading of LPG, LNG and related chemical products business during 2019.

Bank Balances and Cash

As at 31 December 2019, the Group's bank balances and cash amounted to RMB57.5 million (31 December 2018: RMB127.9 million).

Capital Expenditure

Capital expenditure to owned property, plant and equipment for the year ended 31 December 2019 amounted to RMB24.1 million and our Group's capital commitments as at 31 December 2019 amounted to RMB21.6 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 2019 and 2018 are summarised below:

	As at 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Short-term borrowings	25,000	36	25,000	100
Long-term borrowings	43,925	64	–	–
Currency denomination				
– RMB	25,000	36	25,000	100
– HKD	43,925	64	–	–
Borrowings				
– secured	68,925	100	25,000	100
Interest rate structure				
– fixed-rate borrowings	68,925	100	25,000	100
Interest rate				
– fixed-rate borrowings	5.66%-10.00%		4.79%	

As at 31 December 2019, the Group's gearing ratio was 36% (31 December 2018: 21%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2019 and 2018 respectively. The increase in gearing ratio was mainly attributable to the increase in bank loans for financing the acquisition of Silver Spring.

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 of the Company dated 29 September 2017 ("**Prospectus**"). 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 2019 HK$'000	Remaining balance as at 31 December 2019 HK$'000
Finance the expansion of the CNG refuelling station network	104,000	19,500	19,015	485
Strengthen the marketing and promotion strategies	5,800	5,800	1,706	4,094
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	61,021	54,579

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 2019, the Group's bank loan of RMB25 million was secured by property, plant and equipment and land use rights of the Group with an aggregate carrying value of approximately RMB15.9 million. The Group's bank loan of HK$50 million was secured by the equity interest of Silver Spring and personally guaranteed by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, executive director and chairman of the Board of the Company, and Ms. Ji Yuanyuan (姬媛媛女士) ("**Ms. Ji**"), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this report and as at 31 December 2019, the Board is not aware of any material contingent liabilities (2018: Nil).

Human Resources

As at 31 December 2019, the Group had 520 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 2019, 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 31 January 2019, United Strength Power International Limited ("**United Strength BVI**"), 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 and accepted the assignment of the shareholder's loan at the total consideration of HK$84,500,000. For the details of the above transaction, please refer to the Company's announcement dated 31 January 2019. The acquisition was completed on 31 March 2019.

The Company also entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Eternal Global at the consideration of HK$650 million. For details, please refer to the announcements of the Company dated 18 September, 25 September 2019 and 28 February 2020.

Save as disclosed in this report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2019.

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

On 2 December 2019, the China-Russia east-route natural gas pipeline, a major international project on strategic natural gas cooperation and the largest energy cooperation project between China and Russia by far, was put into operation. The total length of pipeline in Russia is about 3,000 kilometers. On the Chinese side, there are 3,371 kilometers of new pipeline and 1,740 kilometers of pipeline in use. The northern section of the project, which was newly put into operation, will first supply the Northeast region of China to promote the local gasification project and transform its gas supply. This will greatly enhance the resource supply capacity of Northeast China and become the main gas supply source in the region.

The Group is a leading operator of CNG refuelling stations for vehicles in Jilin Province, Northeast China. The stable market environment and the increase in gas supply will lay a good foundation for the Group's main business, enhance its gas supply capacity and volume and help manage transportation costs. As one of the pioneers among natural gas refuelling station operators, the Group will actively expand its business areas and explore its full potential by taking advantage of its own and regional competitive edges.

For the purpose of business expansion, the Company entered into a sales and purchase agreement to acquire the entire issued share capital of Eternal Global on 18 September 2019. Eternal Global was the largest independent refuelling station operator in Northeast China in terms of annual sales of refined oil products in 2018, accounting for approximately 1.0% of total market share in the region (comprising independent and state-owned refuelling station operators). This acquisition will help the Group to tap into potential business areas such as oil refuelling and wholesale to start new business lines in Northeast China, laying a solid foundation for its expansion into the other regions in China, expanding the business landscape of the group, diversifying its businesses/investment portfolios, increasing revenue sources and providing attractive investment opportunities, thus harnessing the synergy formed between the oil refuelling business of Eternal Global and the existing gas refuelling business of the Group to enhancing our competitiveness in the industry.

China has just entered the rapid development phase of natural gas. In light of the "13th Five-Year Plan on Energy Development" and a number of national policies issued in recent years, the demand for natural gas consumption will continue to grow at a relatively high rate. Looking into 2020, the government will continue to vigorously promote the use of natural gas vehicles and support the construction of natural gas refuelling stations. The Group will continue to focus on natural gas sales and transportation businesses, while exploring traditional and new energy areas closely related to natural gas to seek new development opportunities and enhance profitability on the basis of consolidating its advantageous position in the CNG refuelling station market in Jilin Province, so as to realize the steady development of the entire business and create the most valuable returns for shareholders.

With the interruption of economic activities in China brought by novel coronavirus (COVID-19), the Group's financial results may be affected. Having said that, the Group has strived its best to ensure the operation in China are functioning and it has managed to maintain stable supply of goods and services to the customers as at the date of this announcement. In view of the challenging business environment, the Group will continue to strictly monitor the situation and keep close contact with its suppliers to safeguard the stable supply of products. The Group will get prepared to overcome any hurdle ahead and realize its value to the Shareholders and business partners.

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 2019.

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 2019, 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 annual general meeting of the Company that held on 6 June 2019 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 2019. Details of the shareholding interests held by the Directors as at 31 December 2019 are set out in page 60 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. Yuan Limin

Independent Non-executive Directors

Ms. Su Dan
Mr. Lau Ying Kit
Mr. Zhang Zhifeng

Biographical information of the Directors is set forth on pages 54 to 56 of this annual report.

Each of the executive Directors (save for Mr. Yuan Limin) 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 (save for Mr. Zhang Zhifeng) 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 2019, 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. Xu Huilin	4/4
Mr. Yuan Limin	4/4
Ms. Su Dan	4/4
Mr. Lau Ying Kit	4/4
Mr. Zhang Zhifeng	4/4

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 2019, 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 2019.

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 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 2019 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. Zhao Jinmin	A and B
Mr. Liu Yingwu	A and B
Mr. Xu Huilin	A and B
Mr. Yuan Limin	A and B
Independent Non-executive Directors	
Ms. Su Dan	A and B
Mr. Lau Ying Kit	A and B
Mr. Zhang Zhifeng	A and 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 2019. 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. Zhang Zhifeng	2/2

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 2019. 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. Zhang Zhifeng	1/1

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 2019 is set out below:

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

NOMINATION COMMITTEE

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

One meeting was held in 2019. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

	Number of Nomination Committee Meetings attended/held
Committee members	
Mr. Xu Hulin *(chairman)*	1/1
Ms. Su Dan	1/1
Mr. Zhang Zhifeng	1/1

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 2019, 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 70 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 67-72 of this annual report.

The remuneration paid or payable to KPMG for services rendered in respect of the year ended 31 December 2019 is as follows:

	2019 RMB'000
Annual audit and interim review services	3,000
Other audit services	2,600
Total	5,600

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; and

(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 2019, 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

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

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 website 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 annual general meeting of 2019 ("**2019 AGM**") was held on 6 June 2019. The notice of the 2019 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2019 AGM.

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

Directors	Attendance/ Number of general meetings
Mr. Zhao Jinmin	1/1
Mr. Liu Yingwu	0/1
Mr. Xu Huilin	1/1
Mr. Yuan Limin	0/1
Ms. Su Dan	0/1
Mr. Lau Ying Kit	1/1
Mr. Zhang Zhifeng	0/1

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

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

CONSTITUTIONAL DOCUMENTS

From the Listing Date and up to 31 December 2019, 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 2019, 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. PREAMBLE

As a leading automotive compressed natural gas ("**CNG**") refuelling station operator in Jilin Province, the United Strength Power Holdings Limited and its subsidiaries (the "**Group**") are principally engaged in natural gas sales and transportation services. The "Paris Agreement" (a climate change agreement adopted at the Paris Climate Change Conference on 12 December 2015, and signed in New York on 22 April 2016, that calls for global response and actions to tackle climate change challenges from 2020) and the United Nations 2030 Agenda for Sustainable Development has set clear goals and timeframe that urge the global acceleration of the low-carbon development and the development of clean energy, along with the effective implementation of China's supporting policies (such as the "Gasification Jilin" project implemented by the Jilin Provincial Government). Thus, China's energy production and consumption have continued to undergo revolutionary advancement in recent years, creating unprecedented opportunities for the natural gas industry. As one of China's fast-growing and leading CNG refuelling operators, the Group attaches great importance to the research and analysis of market trends and industry development, and constantly makes diversified investments around its core business segment and promotes its business models. The Group has successfully opened up its business in gas transportation services after the acquisition of Jieli Logistics, which largely satisfies the Group's demand for safe and stable gas transportation.

With a developmental direction of transforming into a green energy provider, the Group has always strived to incorporate sustainable development into its long-term business strategy by integrating the environment and social concepts and matters that are believed to be an indispensable part of quality development in regions where it operates alongside financial factors in its decision making process. Thus, the Group endeavours to strengthen its management and policy implementation in environmental, social and governance ("**ESG**"), with the aim of reducing its impacts on the environment while actively fulfilling its social responsibilities. The Group takes global best ESG practices as the benchmark to optimise its sustainable development management system, improve corporate goals and tracking metrics, strengthen internal communication and feedback within the Group, and promote effective implementations of ESG policies and activities.

II. ABOUT THE REPORT

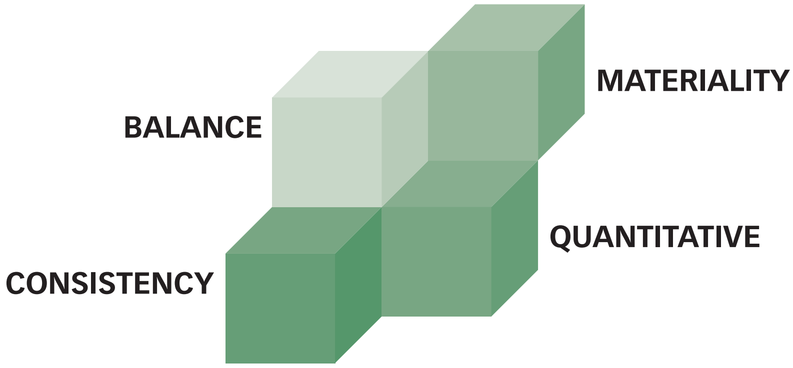
In strict compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide ("**ESG Guide**") of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), the Group is pleased to present the Environmental, Social and Governance Report for the year ended 31 December 2019 ("**FY2019**"), which demonstrates the Group's approach and performance in terms of ESG management and corporate sustainable development for FY2019. The information in this ESG report was gathered through numerous channels, including internal policies and data of the Group, the feedback of the implementation of ESG practices in the Group, stakeholder surveys, online surveys that were used to collect the relevant information around the practice of the Group in sustainability. A complete content index is available at the end of the ESG report for readers' convenience to check its integrity. The report has been compiled in both English and Chinese, and are published together on the Group's website (www.united-strength.com).

Boundary Setting

Setting a clear reporting boundary can help users of the information to understand the effectiveness of the implementation of relevant ESG policies further, while allowing the Group to identify the risks of the business and operations in which the Group was engaged during the year under review. This ESG report, referring to the operational control approach, covers the major business operations of the Group that include 29 gas refuelling stations in Northeast China and transport business in Jilin Province.

Reporting Principles

As the reporting principles underpin the preparation of the ESG report, the main content of this ESG report has been determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency.



Materiality:

As a common strategic business tool for screening the insignificant issues and highlighting the significant environmental and social impacts, the application of Materiality principle allows the Group to collect relevant information about the feedback of various stakeholder groups and implement an objective evaluation, thereby making informed decisions on business operations. In the ESG report, the Group took the overall strategic influence as benchmarks, mapping the feedback from stakeholders into a materiality assessment matrix. Such materiality assessment outcome shows that Occupational health and safety, Health and safety relating to products/services, and Customers satisfaction (Welfare) are the material sustainability issues to the Group, which not only can promote the Group to selectively strengthen the performance disclosure of relevant matters, but also reinforce the management of corresponding corporate daily operations by the Board of Directors of the Group (the "**Board**") and the management staff of the companies.

Quantitative:

The application of the reporting principle of Quantitative was reflected in many areas of the ESG report. For example, under the sections of **Emissions** and **Use of Resources** in this ESG report, the Group based the calculation of greenhouse gases ("**GHGs**") and consumption of various resources of the Group in FY2019 on quantitative analysis. Additionally, the Group discussed the corporate performance under environmental subject during recent years in a quantitative format in the report and pointed out the directions for improvement and goals in the future.

Balance:

Following the Balance principle in the disclosure of ESG performance, the Group ensures that valuable information can be delivered to its stakeholders. Adhering to this principle, the Group fully evaluated the potential ESG and climate-related risks faced by the Group, including the number and rate of deaths due to work every year in the past three years and the number of service complaints, etc., aiming to paint an objective and accurate picture of the sustainable development of the Group for its readers.

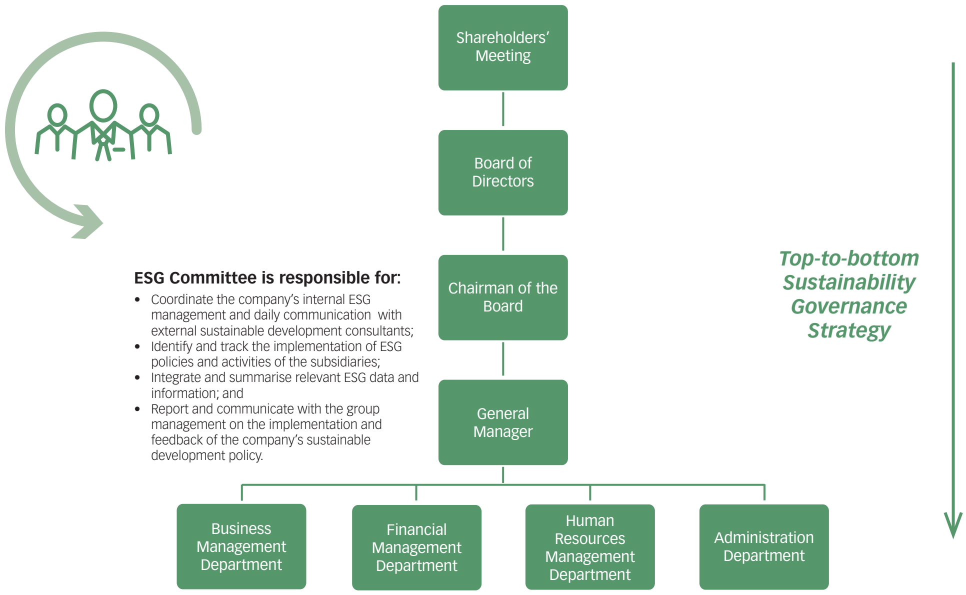
Consistency:

The ESG experts of the Group adopted the same principle of boundary setting, data collection process, data calculation methods and reporting framework in the preparation of the ESG report as before. Meanwhile, the Group made comprehensive descriptions and explanations about the significant changes to its business development and evaluation method of performance, committed to enhancing the consistency and comparability of the entire report as compared to the past reports.

III. SUSTAINABILITY MANAGEMENT

The Group believes that the Board has a crucial role to play in implementing sustainable management approach and policies, in order to reduce the potential negative impacts of the Group's development on the environment and natural resources and create shared values to all. Carrying out the Group's sustainability strategy from top to bottom, the Board takes the lead on and has oversight of the execution of relevant ESG issues. The Board assumes ultimate responsibility for ensuring barrier-free communication across the Group hierarchy, encouraging the enterprise and employees to actively engage with the national strategic deployment of the sustainable development of energy industry and achieve effective implementation of the enterprise's internal sustainability policies.

To fully implement the sustainable development strategy, the Group has built professional teams for the management of corporate ESG-related issues, including coordinating the management and various business divisions in the execution of relevant ESG policies, supervising and monitoring the sustainability practice in the Group, and tracking and revealing the ESG-related performance of companies of the Group. With the establishment of sustainable development strategy, the Group is committed to creating sustainable value for the enterprise, continuously reducing the impact of daily operations on the environment, and effectively managing relevant risks during its business development and expansion.



Through the deployment of forward-looking strategies and organised action plans, the Group constantly reviews, discusses, amends and adjusts its sustainability policies to satisfy the ever-changing expectations of its stakeholders and to adapt to the changing market environment. With an improved internal control system, the Group is committed to standardising internal business processes and regulating employees' behaviours to maintain the long-term industry competitiveness of the Group. As climate change imposes an ascending risk to the business (including transition risks and physical risks), the Group continues to deepen its understanding of climate-related risks and enforce corporate management to improve corporate resilience and grasp potential opportunities. In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"), the Group has established a Risk Management Department to carry out evaluations on the implications of climate-related risks and their financial impacts, strengthen the management of key aspects in risk control and ensure the implementation of 'Forecast before risk, Management in the risk, Analysis after the risk'. Meanwhile, the Group has actively created and cultivated the culture of risk management internally, and aimed to set appropriate indicators and goals to review its previous performance and make forecasts, while highlighting the importance of measuring financial implications of the ESG and climate change amongst various departments of the Group through the introduction of risk management system and the formulation of effective policies and guidelines.

IV. STAKEHOLDER ENGAGEMENT

Maintaining an efficient communication with its stakeholders has been considered as the essence of the Group adapting to the ever-changing markets and improving business operations. In the meantime, the deep understanding of its stakeholders' concerns about relevant ESG topics can help the Group to transform the commitment to the environmental, social and economic sustainability into the long-term value creation.

Through myriads of channels with its stakeholders, the Group has kept long-term and stable communication with its stakeholders. The Group often reviews and adjusts its ESG management policies, to meet the needs of stakeholders.

Stakeholders	Expectation and Concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Anti-corruption policies – Occupational health and safety	– Supervision on the compliance with local laws and regulations – Routine reports and tax payments – Response to the published documents and policies of the government
Shareholders	– Return on investments – Sustainable corporate governance – Business compliance	– Regular reports – Announcements – General meetings – Official website of the Group
Employees	– Employees' remuneration and benefits – Career path and training plan – Health and safety in the workplace	– Performance appraisals – Regular meetings and training – Focus groups – Emails, notices, circulars, hotline and face-to-face meetings with the management
Customers	– Assurance of price and quality – Product safety and risk control	– Customers' satisfaction surveys – Face-to-face meetings and onsite visits – Customer service hotline and emails
Suppliers	– Fair and open procurement – Win-win cooperation – Risk management of supply chain	– Open tender – Suppliers' satisfaction surveys – Telephone discussions – Face-to-face meetings and onsite visits – Industry seminars
Professional organisations	– Optimisation of sustainable development system – Fulfillment of environmental and social responsibilities	– Telephone discussion – Questionnaires & Online engagement – Meetings (Informal or annual shareholder meeting)
General public	– Involvement in communities – Business ethics – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Face-to-face interview

To enhance the awareness of the enterprise and its stakeholders in global sustainable development goals and progress, the Group in FY2019 started the advocacy and education of the United Nations Sustainable Development Goals ("**SDGs**") to its internal and external stakeholders via surveys. According to the results, the Group regarded Goal 3 and Goal 4 as the SDGs of which the Group's stakeholders were mostly concerned and took the specific requirements and the elements closely related to the Group's development as the top issues of the Group's sustainable development in the future and the cornerstone of realising the Group's corporate visions.

- Goal 3: Good health and well-being – Ensure healthy lives and promote well-being for all at all ages

- Goal 4: Quality education – Receiving high-quality education is the foundation of improving people's lives and achieving sustainable development

Reference: *http://www.undp.org/content/undp/en/home/sustainable-development-goals.html*

In response to the call and concerns from stakeholders in the SDGs and to align its business strategy with international standards and requirements, the Group plans to contribute to global sustainable development in the following areas:

Occupational health and safety has always been a priority of the Group. Given the nature of its business, the Group attaches great importance to the safe operation and healthy growth of staff working at gas stations and transportation services. Training of new and old employees on occupational safety is adopted to reduce accidents caused by irregular operation and carelessness. In addition to ensuring occupational safety, the Group has also carried out a variety of activities to enhance employees' enthusiasm for work, by offering publicity and material rewards for outstanding employees to affirm their work attitude and effort.

The Group plans to pay more attention to the health of employees and strengthen the management of internal occupational risks in the future to provide employees with a comfortable and safe working environment.

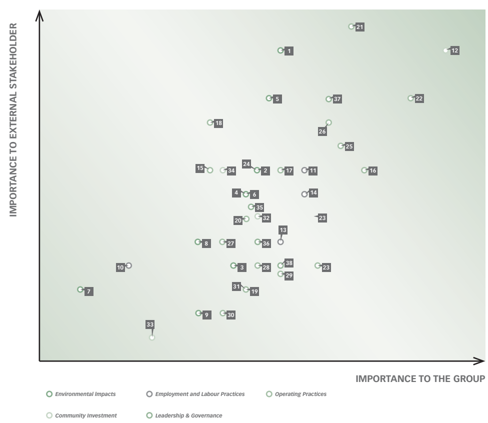
Vocational training and education are vital to the Group and are considered to be the keys to ensuring that the Group can stay ahead of the industry in the long term. The Group has established detailed "Training Management Regulations", which clearly stipulates the training planning, implementation, supervision, assessment, and evaluation processes of each unit to ensure that all employees of the company can receive long-term, systematic and standard training, and meet the job needs of each position. This enables the Group to develop outstanding management talents, achieve corporate goals in safety management improvement and increase the company's competitiveness.

The Group has also paid attention to the all-round development of children. In FY2019, the Group co-host a variety of chess training and competition activities with the Chinese Chess Association for the teenagers in the local communities and schools, promoting them to know chess, learn chess and carry forward the chess culture.

Materiality Assessment

As ESG risks and opportunities for companies vary across industries and depend on the company's specific business models and development directions, the Group always takes an annual review to identify its stakeholders' main concerns and material interests about ESG issues. In FY2019, a third-party organisation was commissioned by the Group to invite and engage its stakeholders in a materiality assessment survey. A group of internal and external stakeholders were selected based on their influence and dependence on the Group. The chosen stakeholders in an online survey expressed their views on a list of topics concerning corporate ESG management and relevant issues. Specifically, the questions in the survey covered corporate environmental impact, employment, supply chain management system, production responsibility, execution of anti-corruption policies, community investment, leadership & governance, and many subjects. The Group mapped the results of this survey in a materiality matrix as shown below, which can assist the Group to identify the material ESG issues efficiently and move towards effective business management.

Stakeholder Engagement Materiality Matrix



1	Air and greenhouse gas emissions	14	Preventing child and forced labour	27	Labelling relating to products/ services
2	Sewage treatment	15	Selection of local suppliers	28	Product design & Lifecycle management
3	Land use, pollution and restoration	16	Smooth communication and sound relationship with suppliers	29	Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
4	Solid waste treatment	17	Environmental risks (e.g. pollution) of the suppliers	30	Anti-corruption policies and whistle-blowing procedure
5	Energy use	18	Social risks (e.g. monopoly) of the suppliers	31	Anti-corruption training provided to directors and staff
6	Water use	19	Procurement practices	32	Community engagement
7	Use of other raw/packaging materials	20	Environmentally preferable products and services	33	Participation in charitable activities and support public welfare
8	Mitigation measures to protect environment and natural resources	21	Health and safety relating to products/services	34	Cultivation of local employment
9	Climate-related risks	22	Customers satisfaction (Welfare)	35	Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
10	Diversity of employees	23	Marketing and promotion	36	Management of the legal & regulatory environment (regulation-compliance management)
11	Employee remuneration and benefits	24	Observing and protecting intellectual property rights	37	Critical incident risk responsiveness
12	Occupational health and safety	25	Product quality assurance and recall percentage	38	Systemic risk management
13	Employee development and training	26	Protection of consumer information and privacy		

Through the materiality analysis, the Group identified 'Occupational health and safety', 'Health and safety relating to products/services' and 'Customers satisfaction (Welfare)' as issues of high importance. The survey also helped the Group to prioritise and allocate more resources to the research about relevant topics of sustainable development, and disclose its relevant performance in the fields in this ESG report.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback and advice on the improvement of corporate ESG approach and performance, especially under the topics listed as the highest importance in the materiality assessment. Readers are also welcomed to share their views about ESG matters with the Group via corporate email (info@united-strength.com).

V. ENVIRONMENTAL SUSTAINABILITY

To seek the sustainability of the environment and community where it operates, the Group has made an effort in controlling its emissions as well as its consumption of resources, ensuring that its projects and daily operations strictly comply with relevant environmental laws and regulations in the People's Republic of China ("**PRC**"), including but not limited to the following:

- Environmental Protection Law of the People's Republic of China;
- Environmental Impact Assessment Law of the People's Republic of China;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste; and
- Energy Conservation Law of the People's Republic of China.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019.

A.1. Emissions

In FY2019, the Group was in compliance with applicable laws and regulations during its daily operations and did not violate any laws or regulations concerning air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. The Group adheres to the developmental concept of "innovation, coordination, greenness, openness, and sharing", and has extensively advocated the smart control of consumption of energy resources and strive to operate in an eco-friendly manner in order to reduce the environmental impacts of the Group's emissions.

Given the nature of its operation, air pollutants from the Group including sulphur oxides ("**SO_x**"), nitrogen oxides ("**NO_x**") and particulate matter ("**PM**") were mainly generated from the logistics vehicles for the transportation. In FY2019, the Group's air emissions of SO_x, NO_x and PM amounted to 41.7 kg, 38,359.1 kg and 2,762.2 kg respectively. It is widely acknowledged that GHGs are the major factor causing global warming. In response to the initiatives of the United Nations Framework Convention on Climate Change, the Group has been committed to efficiently controlling its GHG emissions. In FY2019, the GHG emissions from the Group were primarily caused by the burning of fossil fuels for the transportation of the fleet and the electricity consumption in office operations. The Group's total GHG emissions amounted to 11,266.1 tonnes of CO_2e, with an intensity of 21.7 tonnes CO_2e/employee. In addition, the Group generated certain amounts of solid waste and wastewater during its operations. During the year under review, the Group generated a total of 43,252.9 kg of non-hazardous solid commercial and domestic wastes with an intensity of 83.2 kg/employee, while 6,704.7 tonnes of non-hazardous commercial and domestic wastewater was discharged from the Group with an intensity of 12.9 tonnes/employee. During the year under review, the Group did not generate any hazardous wastes. The Group's total emissions in FY2019 are summarised in Table 1 below.

While the growth of the gas station and transportation business segments of the Group was rapid, the Group's emissions in FY2019 were well-controlled and remained steady comparing with FY2018 (the financial year ended on 31 December 2018 from 1 January 2018 to 31 December 2018), reflecting the effective implementation of the environmental protection policies.

Table 1 The Group's total emissions by category in FY2019****

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity* (Unit/ employee) in FY2019	Intensity** (Unit/ employee) In FY2018
Air Emissions***	SO_x	Kg	41.7	0.1	0.1
	NO_x	Kg	38,359.1	73.8	55.1
	PM	Kg	2,762.2	5.3	4.0
GHG Emissions	Scope 1*** (Direct Emissions)	Tonnes of CO_2e	8,377.5	16.1	13.4
	Scope 2**** (Energy Indirect Emissions)	Tonnes of CO_2e	2,888.6	5.6	6.2
	Total (Scope 1 & 2)	Tonnes of CO_2e	11,266.1	21.7	19.6
Non-hazardous Waste	Solid Wastes	Kg	43,252.9	83.2	82.0
	Wastewater	Tonnes	6,704.7	12.9	12.2

* *Intensity of FY2019 was calculated by dividing the amount of air, GHG and other emissions by the number of employees of the Group as at 31 December 2019 in FY2019, which was 520;*

** *Intensity of FY2018 is obtained from the Environmental, Social and Governance section in the Group's 2018 annual report;*

*** *Air emissions included the air pollutants in the exhaust gas from the daily operation of the transportation fleet and vehicles for business affairs in FY2019. To ensure the consistency in statistics and improve the comparability of reporting content, the data of air emissions in FY2018 was revised according to the calculation methodology in FY2019; and*

**** *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database.*

Air Emissions

The air emissions generated by the Group mainly came from the exhaust fumes due to the operations of the transportation fleet and the small amount of gas leaked during the refuelling process. In FY2019, the Group used diesel, gasoline and liquefied natural gas ("**LNG**") as the power source of vehicles. Specifically, the exhausted gases generated were mainly SO_x, NO_x and PM. In response to the national call for energy conservation and emission reduction, the Group has implemented and adopted policies and measures to promote the use of LNG as fuels for vehicles, thereby minimising air emissions. Meanwhile, the Group strictly controlled and maintained its transportation fleet to ensure efficient operations regularly. For gas refuelling station operations, the Group required that all employees must perform gas refuelling operations in accordance with operating procedures to avoid gas leakage.

GHG Emissions

Energy consumption is widely considered to be the main contributor to the rising GHG emissions (including carbon dioxide, methane and nitrous oxide) in the atmosphere. In FY2019, the Group's GHG emissions were mainly derived from purchasing electricity and the use of vehicles. The Group has attached great importance to the control of GHG emissions and made great progress in improving the efficiency of its electricity use, as shown by the reduction of the Scope 2 GHG emission intensity. In order to further minimise the GHG emissions from the source and lower the GHG emission-related risks in daily operations, the Group has established and implemented internal measures, which will be detailed in the subsections headed **Electricity** and **Other energy resources** below.

Wastewater

The wastewater from the Group during FY2019 was mainly commercial wastewater from employees at offices. The Group fully implemented the concept of a circular economy, emphasising the recycling and reusing of wastewater. The wastewater was either discharged to the anti-seepage tank and regularly extracted as fertilizers, or directly discharged into the municipal sewage network. In FY2019, the intensity of wastewater per person of the Group remained at the same level as that of the previous year. Since the amount of wastewater highly depends on the amount of water that has been used, the Group has adopted specific measures to reduce the water consumption during operations, which are further described in the next subsection headed **Water**.

Solid Wastes

The solid waste generated by the Group was all non-hazardous and came from the commercial solid waste from employees at work and waste packaging materials from the operation of convenience stores in gas stations. The Group has adopted various measures to manage waste more effectively, such as sorting solid waste that is collected and handled by the government sanitation department. In view of the Group's commitment to sustainable waste management, all business segments have taken effective actions to reduce, reuse and recycle solid waste materials. The specific measures are as follows:

- Sort and separate solid waste for recycling;
- Sell the recyclable solid packaging materials to the recycling plants for processing and reuse;
- Educate all employees to reduce the use of disposable consumables such as plastic tableware; and
- Promote the recycling and reuse of office supplies and other materials.

The Group's logistics business segment has set emission-reduction targets to manage solid waste generated during its operations, which has been taken as a key element of its management plan for green logistics.

A.2. Use of Resources

In FY2019, the primary resources consumed by the Group were electricity, diesel, gasoline, natural gas and water. The Group has paid great attention to product containers and adopted different methods for the storage of different resources. For example, LNG is filled in LNG storage tank, CNG is filled in gas storage cylinder, and LPG ("**Liquefied Petroleum Gas**") is filled in a LPG storage tank. Through strict classification and management, the Group ensures that those containers can prevent the leakage of resources. During the year under review, the Group did not consume any packaging material. Table 2 illustrates the amount of different resources used by the Group in FY2019.

Table 2 Total Resource Consumption in FY2019

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2019*	Intensity** (Unit/employee) in FY2019	Intensity*** (Unit/employee) in FY2018
Energy	Electricity	kWh'000	3,718.2	7.2	8.0
	Diesel	Litres	2,552,235.8	4,908.1	3,652.4
	Gasoline	Litres	40,262.9	77.4	63.4
	Natural gas	m^3	672,330.5	1,292.9	1,270.8
Water	Water	m^3	6,741.1	13.0	12.2

* *The resource consumption in FY2019 included that from the operations of the Group's offices, 29 gas refuelling stations and transportation fleets;*

** *Intensity of FY2019 was calculated by dividing the resources consumed by the Group in FY2019 by the number of employees as at 31 December 2019 in FY2019, which was 520; and*

*** *Intensity of FY2018 was obtained from the Environmental, Social and Governance section in the Group's 2018 annual report.*

Electricity

The Group's use of electricity mainly came from the daily operations of its offices and various business segments. All business segments of the Group stringently complied with relevant laws and regulations and the energy-saving policies. While the businesses of the Group developed fast in recent years, in FY2019, the total electricity usage of the Group was 3,718.2 kWh'000, which fell by around 9.5% compared to that in FY2018 due to the efforts of the Group in electricity conservation. The electricity intensity per person dropped by about 10%. To further control the consumption of electricity so as to diminish its GHG emissions, the Group has already embedded the slogan of 'Saving Electricity' into its business strategy and daily operations and particularly implemented the following practices:

- Switch off all lights, electronics and other power-consuming equipment at the end of the day;
- Switch off the idle lights and air-conditioning (e.g. most electrical device was turned off during lunch hours);
- Place "Saving Electricity, turn off the Light when Leaving" posters in prominent places to remind employees of energy conservation;
- Maintain the electrical appliances (such as air-conditioners and paper shredders) on a regular basis to keep their high efficiency;
- Adjust the set temperature of air conditioners (e.g. no lower than 22°C in summer and no higher than 24°C in winter);
- Educate the staff at offices about environmental protection;
- Utilise energy-saving lights to replace traditional lighting bulbs; and
- Encourage all employees to open curtains where possible to make the most of natural light.

Other energy resources

The Group's consumption of other energy resources mainly came from diesel, gasoline and natural gas for transportation and daily operations. The Group has long been committed to reducing the use of fossil fuels by adopting natural gas as the main transportation energy power and improving the operational efficiency of transportation fleets. This has also been seen as the key of the Group to responding to the national call and achieving sustainable development. In FY2019, the Group encouraged employees in various business segments to take public transport or walk instead of driving to work and make full use of electronic equipment and technologies for online meetings in order to reduce the frequency of travelling. The Group plans to continuously manage and upgrade its transportation vehicles, and explore and build an eco-friendly business model by optimising its logistics segment in the future.

Water

As one of the development principles, the Group has put great emphasis on enhancing the water use efficiency and promoting eco-friendly and high-quality development during daily operations. The Group did not face any problem in sourcing water during the year under review. The Group has encouraged employees to save water in daily operations and hopes that employees at offices can reduce water consumption properly and increase the water reusing rate. To improve the utilisation efficiency of water resources, the Group has also taken the following measures:

- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Present "Saving Water Resource" posters in prominent places to encourage water conservation;
- Strengthen the inspection and maintenance of water taps, water pipelines and other water storage facilities;
- Repair the water taps, washers and water supply system immediately;
- Require employees to strictly adhere to the policies of water conservation in the Group; and
- Advocate the importance of saving water among employees through internal training and seminars.

A.3. The Environment and Natural Resources

The Group has long been committed to adopting various measures in reducing the consumption of electricity, gasoline, diesel, natural gas and water resources in its operations. During the year under review, the Group has made tremendous progress in establishing a reliable, resilient and sustainable enterprise. With the rapid development of clean energy actions led by the industry of natural gas vehicles in large, medium and small cities of the PRC, the strategic deployment of the natural gas business of the Group shows that the Group has integrated sustainable development concept in its business strategy in response to the re-organisation of national energy structures. The Group is committed to establishing long-term plans with the aim to take FY2019 as a benchmark and reduce its air, wastewater and solid waste emissions by 30%. The major impacts of the Group during its operations on the environment and natural resources were concentrated on the consumption of natural resources in the operations of transportation fleets and their air emissions. Prioritising energy conservation and emission control as the important strategic task, the Group keeps optimising its management of logistics business segment, making efforts on the selection of appropriate transportation routes, repair, maintenance and upgrade of transportation fleets, wide application of clean fuels and others. The Group strives to minimise its environmental impacts and move towards green transportation.

In the meantime, the Group attaches great importance to education and promotion of low-carbon operations and lifestyles. To promote the concept of the paperless office and office automation, the Group has adopted the following measures to manage office paper consumption and cultivate employees' habits of diligence and frugality:

- Set duplex printing as the default mode for most printers;
- Collect single-sided paper or discarded paper in boxes or trays for reuse; and
- Encourage employees to print on the back of a single-sided document or use it as draft paper.

Looking forward, the Group will unswervingly insist on the sustainable development in its offices and daily operations and allocate more resources to eco-friendly development and innovations, making progress in business development while fulfilling its obligations and commitment in environmental protection.

VI. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group values the talent of employees and sees them as the key to promoting the success and maintaining the sustainable development of the Group. The Group is committed to providing employees with a suitable and stable working platform, aiming to improve employees' professional skills and capability while realising their self-value. As at 31 December 2019, the Group had a total of 520 employees, in which 428 were male workers and 92 were females.

Table 3 Total Workforce of the Group by Gender and Age as at 31 December 2019 in FY2019

			Gender		Age					
Locations	Work nature	Number of employees	Male	Female	18-20	21-30	31-40	41-50	51-60	60 and above
Changchun	full-time	367	307	60	1	40	119	154	53	0
Yanbian	full-time	97	81	16	1	19	39	26	11	1
Jilin	full-time	19	10	9	0	4	10	5	0	0
Songyuan	full-time	7	5	2	0	1	3	2	1	0
Liaoyuan	full-time	5	5	0	0	0	4	1	0	0
Siping	full-time	5	5	0	0	0	2	3	0	0
Meihe	full-time	6	5	1	0	2	1	3	0	0
Baicheng	full-time	3	3	0	0	0	1	1	1	0
Wuchang, Heilongjiang	full-time	5	4	1	0	1	1	1	2	0
Dandong, Liaoning	full-time	6	3	3	0	4	1	1	0	0

Law compliance

The Group's employment policies have been updated and adjusted to cater to social changes since the inception of the Group, and more importantly, to abide by the relevant laws and regulations. In FY2019, the Group complied with the relevant laws and regulations, including the following:

- Labour Law of the People's Republic of China;
- Insurance Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China;
- Labour Dispute Mediation and Arbitration Law of the People's Republic of China; and
- Provisions on Minimum Wages.

According to the latest laws and regulations, the Human Resource Department of the Group is responsible for regularly reviewing and updating relevant policies within the company.

Recruitment and promotion

Retaining talents is vital to the long-term development of the Group's business. Therefore, the Group regularly reviews its remuneration package and evaluates the capabilities and performance of its employees to ensure that the efforts and contributions of all employees can be recognised by the Group. The Group has adopted transparent and clear procedures, such as "Employee Hiring Management Regulations" in managing recruitment matters, with the aim of sticking to 'openness, fairness, competitiveness, excellence' in the recruitment process. In FY2019, the Group held a number of recruitment activities, including the Jilin Institute of Chemical Technology Campus Job Fair, Northeast Petroleum University Campus Job Fair, Jilin University of Finance and Economics Campus Job Fair, Changchun University of Science and Technology Campus Job Fair, and Changchun International Convention and Exhibition Centre Job fair, etc. In order to attract talents, the Group provides fair and competitive remuneration and benefits based on individual past performance, personal performance, work experience and professional aspirations. The Group also refers to the market standards for employee promotion and the internal "Employee Manual", and divides the employee rank into three levels of C, D, and E, as to provide a reasonable promotion platform for employees who have outstanding performance in their positions and hold potential for professional development. Employees can develop their career paths and also be promoted to realise their self-value with endeavours.

Compensation and dismissal

The Group constantly reviews its compensation system, regularly evaluates employees' working performance and potential, and adjusts corporate compensation package according to industry standards. The Group adjusts its compensation package to employees according to its last year's compensation practice, operating performance, CPI index and industry benchmarks. The employees' salary information is kept strictly confidential in accordance with "Employee Salary Confidentiality Management Measures". Any appointment, promotion or termination of the employment contract in the Group should be legitimate and strictly implemented in accordance with internal policies. Employees should report for resignation 30 days before leaving, with the "Application Form for Resignation" being filled in and addressing reasons for resignation. After approval, employees should report to the Human Resource Department in time who reviews and confirms the case before the resignation. The Group strictly prohibits any kinds of unfair or unreasonable dismissals, thereby formulating strict employee management policies and regulating the dismissal procedures. For employees who have violated the Group's employment policies, the Group will verbally warn before issuing a warning letter and terminate the employment contracts of those who have made the same mistakes repeatedly despite being warned in accordance with relevant national laws and regulations.

Table 4 Employee Turnover of the Group by Gender and Age in FY2019

		Reasons of dismissal			Gender		Age					
Locations	Number of employees	Resign	Retire	Death	Male	Female	18-20	21-30	31-40	41-50	51-60	60 or above
Changchun	95	92	2	1	83	12	1	21	39	27	7	0
Yanji	19	19	0	0	19	0	0	5	8	4	2	0
Jilin	4	4	0	0	3	1	0	1	2	1	0	0
Songyuan	0	0	0	0	0	0	0	0	0	0	0	0
Liaoyuan	0	0	0	0	0	0	0	0	0	0	0	0
Siping	0	0	0	0	0	0	0	0	0	0	0	0
Meihe	0	0	0	0	0	0	0	0	0	0	0	0
Baicheng	0	0	0	0	0	0	0	0	0	0	0	0
Wuchang, Heilongjiang	0	0	0	0	0	0	0	0	0	0	0	0
Dandong, Liaoning	1	1	0	0	1	0	0	0	0	1	0	0

Working hours and rest periods

The Group has formulated internal policies in its "Employee Manual" based on local employment laws including the "Provisions of the State Council on Employees' Working Hours" to manage the working hours of employees strictly and set up a reward and penalty system. In addition to basic paid annual leave and statutory holidays, employees may also be entitled to additional paid leave such as marriage leave, maternity leave or compassionate leave. Employees should fill in the Employee Leave Application Form with reason and time before applying for the rest period. The rest period takes effect only after the superior's approval.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group has been 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. Therefore, the Group keeps regulating its daily practice, preventing any activity that may violate the principle of equal opportunity or anti-discrimination. In all business divisions of the Group, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, gender, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. The Group encourages its employees to report any incidents involving discrimination to the Human Resource Department of the Group. The Human Resource Department will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions on responsible individuals.

Other benefits and welfare

The well-being of employees has long been an important issue for the Group. To ensure the physical and mental health of employees and maintain a positive working attitude, the Group provides work injury insurance for employees in accordance with relevant national laws and regulations, and arranges team building activities to help its employees broaden their horizons, enhance friendship and boost morale. The Group believes that employees are the creators, practitioners and pioneers of achieving company values, and improving employees' sense of belonging can bring positive change to the enterprise while helping employees to realise self-value. As such, the Group arranged a number of cultural and sports activities in FY2019, such as Badminton Competition, Table Tennis Competition, Shuttlecock Competition, Safety Culture Game, etc.

In FY2019, 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

The Group believes that it is of paramount importance to provide and maintain a secure, clean and sound workplace to all employees. In FY2019, the Group implemented strict safety and health policies such as Regulations on Safety Management, and complied with relevant laws and regulations in the PRC, including the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Regulation on Work-Related Injury Insurance, Emergency Response Law of the People's Republic of China, Regulation on Labour Protection in the Jilin Province and Regulation on Safety Management in the Jilin Province.

To implement the relevant laws, regulations, policies and standards relating to the prevention of occupational diseases in the PRC and strengthen the management of the prevention work of occupational diseases, the Group has established and strictly implemented "Occupational Health Control Regulation" and "Hazardous Waste Management Procedures", regulating the procedures of work safety and delivering clear messages to all levels of personnel in the gas station about their responsibilities for prevention of occupational diseases and occupational health and safety. Employees are required to bear their responsibilities, perform their own functions and endeavour to achieve the sustainable development of productions. The health and safety policy of the Group covers 'Safety', 'Environmental protection', 'Precaution', 'Sustainability', 'Employee well-being' and 'Health'. For instance, in respect of 'Precaution', the Group regulates that employees must receive strict safety training, which allows them to understand the root cause of accidents and reinforce the work of precaution.

The Group requires the person-in-charge of each gas refuelling station to implement national laws and regulations relating to occupational prevention and control, attend regular occupational health training, and monitor the formulation and implementation of the hygiene management regulations and practices in daily operations. Once any occupational hazard-related accident occurs, the Group should report the accident to local safety production supervision department and take effective measures to alleviate or eliminate the hazardous factor, preventing the aggravation of accident. The Group strictly prohibits the practice concerning late reporting, underreporting, lying or concealment of occupational hazard-related accidents.

The Group has built occupational safety management team to assist the employees of the Group in understanding and practising the national laws, regulations, rules and standards on the prevention of occupational hazards, monitor the accountability system of occupational hazard prevention and control at all levels, ensure the health and safety of employees at work. The Group arranges experts to conduct annual detection on the job site in relation to occupational hazards and provide occupational health examinations for employees. The Group also offers its employees with occupational disease protection facilities and personal protective equipment that conform to the requirements of occupational disease prevention in accordance with the "Administrative Regulations on Personal Protective Equipment", and takes serious actions on any practice that is in violation of occupational disease prevention laws and regulations or endangers employees' health and safety.

Given the nature of its business, the Group prohibits employees, especially staff in gas stations, from smoking, drinking or making phone calls in working areas and organises regular safety checks and emergency drills. All new employees should complete a series of safety training courses before work. The training focuses on learning laws and elementary knowledge about occupational health, occupational health management regulations and operating process, the correct use of protective equipment, and emergency rescue measures, with the aim to enhance employees' awareness of safety. The safety notice and warning sign have been designed and placed in the prominent operating area of stations. The Group organises all employees of the Group to take annual physical examinations and keeps documenting the results in the health records of employees.

The Security Department of the Group is responsible for regularly checking, auditing and supervising the implementation of the Group's occupational health and safety-related policies, tracking the non-compliance with the standards and urging them to rectify rapidly. In FY2019, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

The Group believes that training is an important 'Talent Investment' of corporate development which cannot be ignored. Training is also vital to keeping the vitality of corporate long-term development. Aiming to cultivate the talents and care about the career path of employees, the Group focuses on the capacity improvement of employees and seeks the co-development of both employees and the company. The Group has been committed to designing and providing appropriate training programmes to its staff according to the needs, helping them to plan career paths scientifically and providing them with promotion opportunities based on its corporate culture. During the year under review, the Group organised a number of online and offline training programmes in accordance with its internal policies, such as "Measures on Training Management" and "Employee Manual". The Group's internal training is located in 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 further provides employees with an E-learning platform for online training.

New employees must receive and pass occupational health training before onboard. During job transfer, the Group conducts job-specific training and assessment on occupational health for the employees before work. External construction unit must be trained according to the internal occupational safety and health training and education regulations before being qualified to work. All employees should attend occupational health training twice a year. Given the characteristics of business, the training of the Group is focused on safety course and all the training programmes should be recorded and archived. The specific content in the document should include training time, training date, training content, training lecturer, training location and signature of the trainee. The Occupational Health Management Department is responsible for the management of the training and funds.

In FY2019, the Group arranged training courses 13,911 times for employees at gas refuelling stations and from logistics business, including "Emergency Preparedness Before Snow Disasters", "Hot Work Management Procedures", "Personal Fire Prevention", "Defensive Driving Retraining", "Occupational Disease Prevention Principle", "Liquid gas/Natural gas/Oil truck Leakage Emergency Treatment", "Chemical Safety Technical Specifications", etc.

B.4. Labour Standards

In FY2019, the Group abided by the Labour Law of the People's Republic of China and other related labour laws and regulations in the PRC to prohibit any child and forced labour employment. To combat illegal employment of child labour, underage workers and forced labour, the Group's Human Resource Department requires all job applicants to provide valid identity documents and fill in the "Employee Registration Form" to ensure that they are lawfully employable prior to confirmation of any employment according to the "Employee Recruitment Management Regulations". The Human Resource Department carries out background check according to the "Employee Check List" and is responsible for monitoring and ensuring the compliance of the Group's policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. Once any incident that fails to comply with the labour standards is found, the Group will terminate the employment contract immediately.

In FY2019, the Group was not in violation of 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

An efficient supply chain management is the lifeblood of any company in its business growth. As a corporate who values social responsibility, the Group focuses on the reduction of potential environmental and social risks that affect its supply chain and is deeply aware of its responsibility and obligation to strengthen its management of suppliers. The Group requires suppliers to comply with relevant laws and regulations, and all subsidiaries to continuously monitor their suppliers' qualification and supply chain practices.

The main businesses of the Group are the sale of natural gas in gas stations and the transportation services of petroleum and natural gas. The main suppliers of the Group's gas stations are Changchun Huarun LNG Co., Ltd., Changchun Automobile Gas Development Co., Ltd., China Petrochemical Corporation Limited Jilin Natural Gas Company, Changchun Huize Gas Company Limited, Jilin Nuoshida Energy Investment Co., Ltd., Jilin Huinong Energy Technology Co., Ltd., Jilin Ganghua Gas Co., Ltd. and Qianan Jixing Energy Co.,Ltd., etc. The major suppliers of oil and gas transportation services are Tieling Luping Special Automobile Co., Ltd. (Liaoning), Hebei Hongtai Special Truck Co., Ltd. (Hebei), Shijiazhuang Enric Gas Equipment Co.,Ltd. (Hebei), Changchun New Oriental Automobile Service Co., Ltd. (Jilin), Jingmen Hongtu Special Aircraft Manufacturing CO.,Ltd. (Hubei), and Wuhu CIMC RJST Automobile Limited Company Co., Ltd. (Anhui), etc.

Gas refuelling station

In the selection of suppliers, the suppliers who are qualified with the following conditions will be considered in priority: 1. Legitimate production/business enterprise approved by relevant national departments; 2. A sound quality control system; 3. Solid technical capability; 4. Good management standards. The chosen suppliers are required to provide gas quality report issued by the third party to the Group. The Group conducts market research on various suppliers and compares the gas quality and price to identify the best suppliers. Gas quality and price, and environmental and social risks are all important assessment factors of the Group 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 inspects several suppliers at the same time to cope with emergencies such as shortages of supplies or price increase. To ensure the product quality, the Group requires suppliers to provide gas quality inspection reports from plants in collaboration. The Operating Department monitors the inspection report provided by the suppliers. 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 plan will be activated instead. The Group did not find any violation cases or unqualified incidents from its suppliers in FY2019.

The Group has established the "List of Qualified Suppliers" to manage the Group's supply chain. The term of the supply contract signed between the Group and the supplier is generally one year, and the list of qualified suppliers is renewed annually.

Petroleum and gas transportation

Petroleum and gas transportation services are mainly involved in the transportation of natural gas, LPG, gasoline and diesel. At the early stage of supplier selection and product procurement, the Procurement Department of the transportation business of the Group, through the bidding process, evaluates the business licence, quality management system, national mandatory product certificates and other documents of suppliers, and applies the national standards in the procurement of products from qualified suppliers. The transportation business segment of the Group keeps a close relationship with its suppliers, ensuring that the business of suppliers complies with national and regional laws and regulations where they operate, and adhere to the business ethics.

In the environmental risk management of supply chain, the Group firmly objects to the cooperation with suppliers that have disobeyed relevant environmental laws, regulations or standards, and tries its utmost to make preference to the environmentally-friendly products in procurement. For example, the Group purchases the aluminium alloy trailers, which is used to reduce the environmental impact during transportation. Meanwhile, the business segment of the Group makes investigations of products of its suppliers against environmental indicators and maintains active communication with its suppliers, in order to control, minimise and prevent the environmental hazards in the supply chain.

B.6. Product Responsibility

The Group strictly complies the laws and regulations relating to the health and safety of the Group's products and services, advertising, labelling and privacy matters, including:

- Product Quality Law of the People's Republic of China;
- Production Safety Law of the People's Republic of China;
- Fire Protection Law of the People's Republic of China;
- Metrology Law of the People's Republic of China;
- Advertising Law of the People's Republic of China;
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests;
- Regulation of Gas Cylinder Filling; and
- Regulation of Automobile Transportation of Dangerous Goods, etc.

The Group adheres to the principles and targets to advance, that is, 'following the market, putting customers first, building brands plus chains, excellent management and becoming the leading integrated energy supply chain management corporate in the country', strictly managing and improving the transportation efficiency of natural gas, product quality and service quality of gas stations. 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 and organising relevant laws and regulations. Specifically, Safety Equipment Department collects fire safety and safety policy-related laws and regulations and relevant professional and technical standards, Human Resource 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. The Administrative Department is responsible for regularly assessing the status of relevant licenses, tracking the time limit for expiration, passing the information to the directly responsible person, supervising its implementation, handling the planning and construction procedures of the gas station, accepting the completion of the project and saving the documents.

Gas refuelling station

For gas refuelling stations, the Group's Operating Department conduct a series of tests to ensure the safety and reliability of gas refuelling operations. The Group has also obtained main safety operation certifications for gas refuelling stations, including "Pressure Vessel Use License", "Cylinder Filling Certificate" and "Gas Business License".

The Group carries out surveys on customers and collects feedback according to the "Customer Complaint Handling Management Measures". The survey is managed by the Operating Department and aimed to collect customers' advice, identify the problems and propose systematic solutions. For the issues related to the level of internal execution in the Group, the Operating Department conducts corresponding assessments through the "Corporate Performance Management Measures".

The gas refuelling business of the Group has complied 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, and referred to its "Patent Technology Confidentiality Management Regulations' for the protection of the intellectual property of the Group. For instance, a written application to the company's technical director must be submitted in advance in order to gain approval to borrow patent technical documents and materials. The important patents applied and 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. If the relevant intellectual property rights are infringed, the Group will protect intellectual property in legal ways.

The Group also complies 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 concerning customer's privacy to ensure that its customers' privacy is strictly protected. 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 how the information will be used. All the customers' personal data collected during the business operation is considered confidential. The Group strictly prohibits the provision of customers' information to third-party vendors without the authorisation from customers. The Group has appointed an external company for the database management. Meanwhile, the Group regulates that the staff can only access customers' information after the approval of the general manager.

Petroleum and natural gas transportation

The Group firmly believes that safety is the key to maintaining its long-term sustainable development and puts safety in the first place in any situation. To increase operation and management efficiency of the transportation business, the Group has strictly implemented the following policies:

a. Real-time monitoring via road risk assessment and GPS and video recording to control the driving routes and exact locations of vehicles;

b. Use of electronic sealing to ensure the safety and precise volume of oil; and

c. Establishing the monitoring centre and utilising the electronic escort in transportation by a specific person.

To ensure the safety of employees and products during transportation, the Group arranges regular safety training for drivers, formulates "Transportation Safety Management Guides for Drivers", and amends relevant manuals including "Uploading Oil Practice", "Dumping Operational Practice" and "Repair Practice".

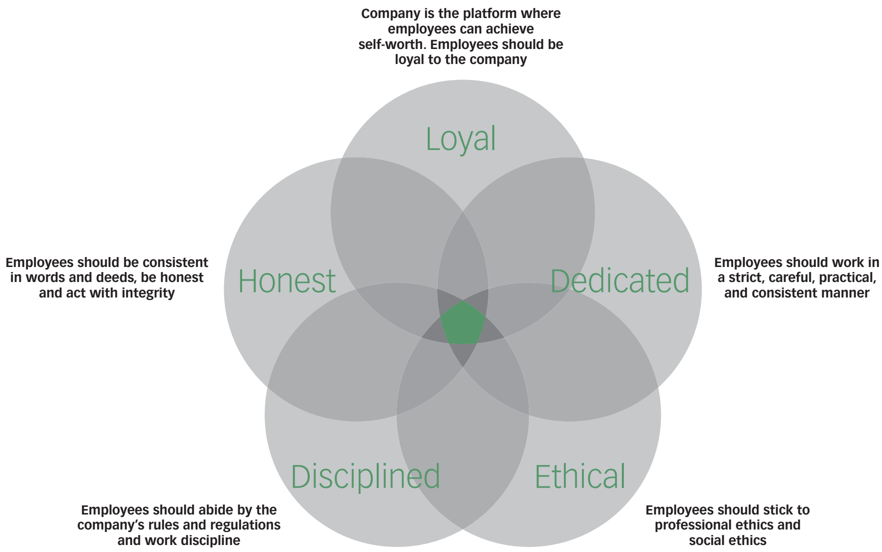
The Group values its customers and has formulated and implemented a series of internal policies for the collection of customers' suggestions, in order to improve customer services. In addition to setting up a 24-hour service call, the "General Manager Mailbox" was added to the online platform to improve the work process and approach based on the monthly analysis. The complaints received by the Group are mainly concentrated on different opinions of the periodical activity policies and employees' service attitudes. The Group has established 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.

In FY2019, the Group was not in violation of any of the relevant laws and regulations in relation to the quality, health and safety, advertisement, label and privacy of its products that have a significant impact on the Group.

B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group has strictly abided by the local laws and regulations relating to anti-corruption and bribery, including the Anti-Corruption Law of the People's Republic of China, the Law of the People's Republic of China on Anti-money Laundering, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group has formulated and enforced its anti-corruption policies such as measures on the "Employee Manual", in order to root out any fraud practice. The Group prohibits all forms of bribery and corruption and requires all its employees to follow the relevant codes of professional ethics. All employees are expected to discharge their duties with integrity by adopting the following ethical practices:



Whistle-blowers can report verbally or in writing to the supervision department of Group for any suspected misconduct with full details of the incident and supporting evidence. The supervision department carries out investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group has established an effective grievance mechanism to protect whistle-blowers from unfair dismissal or victimisation. Where any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2019, no legal cases regarding corrupt practices were brought against the Group or any of its employees. 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 insists on fulfilling its social responsibilities as a corporate citizen. By following the requirements of local governments on enterprises and the societal needs, the Group endeavours to make the people's lives in the communities of regions where it operates better, and commits to making contributions to the areas of poverty alleviation, and cultural and sports activities.

During FY2019, the representatives of the Group walked into Jichai community, visiting and conveying greetings to the people in need. The representatives encouraged the underprivileged to face the difficulties bravely and donated food to the poor such as rice and edible oil. During festivals, the employees of the Group visited the elderly living in the Xinglongshan Retirement Home in Changchun, delivering fruits such as candied oranges and bananas and canned food to them. The employees were committed to caring about the elderly while motivating others to pay attention to the poor and vulnerable groups through their efforts and practice. During the year under review, the Group donated materials and funds worth of over RMB10,000 to the Xinglongshan Retirement Home, Jichai Community in Dongzhan Street and other places.

The Group has also made enormous efforts in promoting cultural and sports activities. In FY2019, the Group and the Chess Association jointly held 19 chess games, which attracted hundreds of people. In addition, the Group has also donated chess and other entertainment items to the local communities, helping the communities to build platforms and bridges on cultural activities in creating a harmonious neighbourhood while making the residents enjoy the fun and health that chess activities have brought. In FY2019, the Group has donated materials such as chess clocks to the Shuian Chuncheng Community of China Overseas. Meanwhile, the Group and the Changchun Chess Association continued to promote the "Bud Project Public Welfare Education into Campuses and Communities" activity, arranging Chinese chess public teaching activities at Changchun No.52 Hexing Experimental Middle School, Changchun Yaoshi Primary School, and Changchun Dongsheng Primary School, in which more than 100 students were taught Chess skills. In FY2019, the Group and the Changchun Chess Association also jointly organised the Dongsheng Elementary School Parent-Child Chess Tournament, which promoted the traditional culture of Chinese chess.

Since its establishment, the Group has been paying great attention to the health and happiness of the community members. The Group will continue to fulfil its social responsibilities and actively promote the harmony and prosperity of the community by playing a leading role in the industry.

VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	32
	KPI A1.1	The types of emissions and respective emission data.	33
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	33-34
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	34
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	34
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	35
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	35
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	35-36
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	36

Aspects	ESG Indicators	Description	Page
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	36
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	36-37
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	36-37
B. Social			
Employment and Labour Practices:			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	37-40
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	40-42
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	42-43
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	44

Aspects	ESG Indicators	Description	Page
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	44-45
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	46-48
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	49
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.	50

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 51, 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 20 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 51, 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 20 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 44, 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 60, 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 is currently a director of United Strength Investment Limited and Sino Regent International Limited, which are subsidiaries of the Company. Mr. Yuan was appointed as executive director, deputy chairman of the Board and CEO of **China Graphene Group Limited (stock code: 0063) 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 39, 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 46, 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 (stock code: 528), **Xiezhong International Holdings Limited (stock code: 3663), **China Wood Optimization (Holding) Limited (stock code: 1885) and **Sinco Pharmaceuticals Holdings Limited (stock code: 6833). 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 47, 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 37, 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 53, 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 52, 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 2019.

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 pages 117-118 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2019.

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 2019 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 73-74 of this annual report.

The Directors recommended the payment of a final dividend of HK$0.0853 per ordinary share, totaling HK$20 million in respect of the year to shareholders on the register of members on 6 July 2020. The proposed final dividend for the year ended 31 December 2019 has been approved at the Company's Board meeting on 25 March 2020 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 2019 are set forth in note 23 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2020.

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 Monday, 6 July 2020 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Wednesday, 1 July 2020 to Monday, 6 July 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 30 June 2020.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set forth in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity on page 78 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB63.9 million. The amount of approximately RMB63.9 million includes the Company's share premium account of approximately RMB102.6 million and accumulated losses of approximately RMB38.7 million in aggregate as at 31 December 2019, 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 23 to the financial consolidated statements and in the section headed "Directors' Report – Share Option Scheme" in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, 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	23
Percentage of purchases attributable to the Group's five largest suppliers	54
Percentage of revenue attributable to the Group's largest customer	12
Percentage of revenue attributable to the Group's five largest customers	19

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 2018 and 2019.

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) and (b) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during 2019 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. Yuan Limin

Independent Non-executive Directors

Ms. Su Dan
Mr. Lau Ying Kit
Mr. Zhang Zhifeng

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 54-56 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 54-56 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 2019 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 2019 or at any time during the financial year ended 31 December 2019.

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 2019 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 2019, 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 2)*	Interest of a controlled corporation	201,928,240 (long position)	86.10%
Mr. Liu Yingwu ("Mr. Liu") *(Note 3)*	Interest of a controlled corporation	27,287,600 (long position)	11.64%

Notes:

1. *The percentage is calculated on the basis of 234,502,000 Shares in issue as at 31 December 2019 but does not take into account of any Shares which may be allotted and issued pursuant to the completion of the proposed very substantial acquisition and connected transaction (the "Proposed Acquisition") of the Company, details of which are set out in the announcement of the Company dated 18 September 2019 (the "VSA Announcement").*

2. *These underlying shares comprise (i) 130,148,240 Shares held in the name of Golden Truth Holdings Limited ("Golden Truth"); and (ii) 71,780,000 Shares to be allotted and issued to Propitious Peak Limited ("Propitious Peak") upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Announcement. Propitious Peak is wholly owned by Golden Truth which is in turn 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 and Propitious Peak are interested.*

3. *These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year Limited ("Heroic Year"); and (ii) 9,700,000 Shares to be allotted and issued to Amber Heyday Limited ("Amber Heyday") upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Announcement. Amber Heyday is wholly owned by Heroic Year which is in turn 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 and Amber Heyday are 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%
	Propitious Peak Limited	Beneficial owner	100	100%

Save as disclosed above, as at 31 December 2019, 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 2019 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 2)*	Beneficial owner and Interest of Controlled Corporation	201,928,240	86.10%
Propitious Peak *(Note 2)*	Beneficial owner	71,780,000	30.61%
Ji Yuanyuan *(Note 3)*	Interest of spouse	201,928,240	86.10%
Xu Hang *(Note 4)*	Interest of controlled corporation	40,931,400	17.45%
Dynamic Fame Global Limited *(Note 4)*	Beneficial owner and Interest of Controlled Corporation	40,931,400	17.45%
Immense Ocean Limited *(Note 4)*	Beneficial owner	14,550,000	6.20%
Heroic Year *(Note 5)*	Beneficial owner and Interest of Controlled Corporation	27,287,600	11.64%
Ma Dan *(Note 6)*	Interest of spouse	27,287,600	11.64%

Notes:

1. *The percentage is calculated on the basis of 234,502,000 Shares in issue as at 31 December 2019 but does not take into account of any Shares which may be allotted and issued pursuant to the completion of the Proposed Acquisition of the Company, details of which are set out in the VSA Announcement.*

2. *These underlying shares comprise (i) 130,148,240 Shares held in the name of Golden Truth; and (ii) 71,780,000 Shares to be allotted and issued to Propitious Peak Limited upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Announcement. Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman and an executive Director.*

3. *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.*

4. *These underlying shares comprise (i) 26,381,400 Shares held in the name of Dynamic Fame Global Limited ("Dynamic Fame"); and (ii) 14,550,000 Shares to be allotted and issued to Immense Ocean Limited ("Immense Ocean") upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Announcement. Immense Ocean is wholly owned by Dynamic Fame is in turn wholly owned by Ms. Xu Hang, our substantial shareholder. By virtue of the SFO, Ms. Xu Hang is deemed to be interested in the shares in which Dynamic Fame and Immense Ocean are interested.*

5. *These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year; and (ii) 9,700,000 Shares to be allotted and issued to Amber Heyday upon the completion of the Proposed Acquisition. Amber Heyday is wholly owned by Heroic Year which is in turn wholly owned by Mr. Liu, an executive Director.*

6. *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 2019, 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 2019, 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 2019.

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 2019, 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 2019.

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 2019 or as at 31 December 2019 are summarized as follows:

	From 1 January 2019/ the effective date to 31 December 2019
The Cooperation Agreement	
Rent in respect of the gas transportation vehicles (Annual cap: RMB3,150,000)	RMB2,290,000
Rent in respect of the office premises (Annual cap: RMB1,220,000)	RMB1,220,000
Oil refuelling fee in respect of the oil refuelling service (Annual cap: RMB15,000,000)	RMB14,983,000
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. The Company revised the annual cap of oil refuelling fee to RMB15,000,000 during 2019. For details, please refer to the announcements of the Company dated 28 August and 5 September 2019.	
Provision of Petroleum Transportation Service (Annual cap: RMB51,130,000)	
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 and the circular dated 14 February 2018.	RMB46,616,000
The Management Agreement (Annual Cap: RMB4,000,000)	
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.	RMB4,000,000

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 2019. 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.

On behalf of the Board
Zhao Jinmin
Chairman

25 March 2020

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 73 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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 attributable to refuelling stations

Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(i)(ii).

The Key Audit Matter	How the matter was addressed in our audit
In view of the unexpected fluctuation of the sales volume and prices of compressed natural gas ("CNG"), liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") during the year ended 31 December 2019, management considered that there were indicators that the Group's property, plant and equipment attributable to refuelling stations may be impaired as at 31 December 2019. Management performs impairment assessments of the property, plant and equipment attributable to the Group's refuelling stations whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.	Our audit procedures to assess the potential impairment of the property, plant and equipment attributable to refuelling stations included the following: • assessing management's identification of indicators of potential impairment of the property, plant and equipment attributable to refuelling stations, identification of the CGUs, the allocation of assets to each CGU and the methodology adopted in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group's refuelling station business and the requirements of the prevailing accounting standards; • assessing the appropriateness of the using of the value in use model for determining the recoverable amounts; • assessing management's discounted cash flow forecasts for those CGUs where impairment indicators were noted by comparing the key assumptions adopted by management, in particular, forecast selling prices and purchase prices of CNG, LPG and LNG and forecast expenses, with our understanding, experience and knowledge of the Group's refuelling station business and the CNG, LPG and LNG industry in general; • comparing the forecast selling prices and purchase prices of CNG, LPG and LNG with external market data;

KEY AUDIT MATTERS (continued)

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

Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(i)(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 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. We identified assessment of the potential impairment of the property, plant and equipment 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 prices 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 key financial data, including revenue, cost of sales and expenses, in the cash flow forecasts with the budgets approved by the board of directors; • comparing the actual results for the current year with management's estimates in their cash flow forecasts prepared in the previous year to assess the historical accuracy of the management's forecasting process; • engaging our internal valuation specialists, when applicable to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range of those adopted by other companies in the same industry; • performing sensitivity analyses of the key assumptions adopted by management, including forecast selling prices and purchase prices of CNG, LPG and LNG, forecast expenses and the discount rates applied, to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of the property, plant and equipment 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.

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

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.

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

25 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019 *(Expressed in Renminbi ("RMB"))*

	Note	**2019 RMB'000**	2018 RMB'000 *(Note)*
Revenue	*4*	**403,248**	348,166
Cost of sales		**(226,746)**	(199,320)
Gross profit	*4(b)*	**176,502**	148,846
Other income	*5*	**8,361**	7,556
Staff costs	*6(b)*	**(50,517)**	(44,234)
Depreciation expenses	*6(c)*	**(29,685)**	(16,989)
Operating lease charges	*6(c)*	**(232)**	(8,115)
Other operating expenses		**(45,505)**	(27,952)
Profit from operations		**58,924**	59,112
Share of profits of a joint venture	*13*	**1,023**	–
Finance costs	*6(a)*	**(6,685)**	(619)
Profit before taxation	*6*	**53,262**	58,493
Income tax	*7*	**(17,569)**	(14,946)
Profit for the year		**35,693**	43,547
Attributable to:			
Equity shareholders of the Company		**35,642**	42,971
Non-controlling interests		**51**	576
Profit for the year		**35,693**	43,547
Earnings per share			
– Basic and diluted (RMB)	*10*	**0.15**	0.18

Note: *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).*

The notes on pages 81 to 143 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 23(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 *(Expressed in RMB)*

	2019 RMB'000	2018 RMB'000 *(Note)*
Profit for the year	**35,693**	43,547
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	**1,352**	7,079
Total comprehensive income for the year	**37,045**	50,626
Attributable to:		
Equity shareholders of the Company	**36,994**	50,050
Non-controlling interests	**51**	576
Total comprehensive income for the year	**37,045**	50,626

Note: *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).*

The notes on pages 81 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019 *(Expressed in RMB)*

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000 *(Note)*
Non-current assets			
Property, plant and equipment	11	157,487	73,791
Lease prepayments	2(c)&11	–	44,937
Interest in a joint venture	13	77,556	–
Deferred tax assets	22(b)	1,742	1,601
		236,785	120,329
Current assets			
Inventories	14	1,615	2,336
Trade receivables	15	9,198	3,724
Prepayments, deposits and other receivables	16	122,260	68,690
Income tax recoverable	22(a)	338	325
Cash and cash equivalents	17	57,474	127,918
		190,885	202,993
Current liabilities			
Bank loans	18	25,000	25,000
Trade payables	19	4,576	4,922
Accrued expenses and other payables	20	23,159	23,297
Lease liabilities	21	14,512	–
Income tax payable	22(a)	9,172	6,974
		76,419	60,193
Net current assets		114,466	142,800
Total assets less current liabilities		351,251	263,129
Non-current liabilities			
Bank loans	18	43,925	–
Lease liabilities	21	26,790	–
Deferred tax liabilities	22(b)	5,774	7,661
		76,489	7,661
NET ASSETS		274,762	255,468

Note: The Group has applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on pages 81 to 143 form part of these financial statements.

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000 *(Note)*
CAPITAL AND RESERVES	*23*		
Share capital		**19,794**	19,794
Reserves		**248,555**	229,026
Total equity attributable to equity shareholders of the Company		**268,349**	248,820
Non-controlling interests		**6,413**	6,648
TOTAL EQUITY		**274,762**	255,468

Note: *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).*

Approved and authorised for issue by the board of directors on 25 March 2020.

Zhao Jinmin
Chairman

Xu Huilin
Director

The notes on pages 81 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 *(Expressed in RMB)*

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 23(c))*	Share premium RMB'000 *(Note 23(d)(i))*	Other reserve RMB'000 *(Note 23(d)(ii))*	Statutory reserve RMB'000 *(Note 23(d)(iii))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Retained profits RMB'000 *(Note)*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	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 23(b)(ii))*	–	–	–	–	–	(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	–	–	(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 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on pages 81 to 143 form part of these financial statements.

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 23(c))*	Share premium RMB'000 *(Note 23(d)(i))*	Other reserve RMB'000 *(Note 23(d)(ii))*	Statutory reserve RMB'000 *(Note 23(d)(iii))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Retained profits RMB'000 *(Note)*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	19,794	120,037	(19,967)	3,825	6,789	118,342	248,820	6,648	255,468
Changes in equity for 2019:									
Profit for the year	–	–	–	–	–	35,642	35,642	51	35,693
Other comprehensive income for the year	–	–	–	–	1,352	–	1,352	–	1,352
Total comprehensive income	–	–	–	–	1,352	35,642	36,994	51	37,045
Dividends approved in respect of the previous year *(Note 23(b)(ii))*	–	(17,465)	–	–	–	–	(17,465)	–	(17,465)
Distributions paid by a subsidiary to non-controlling equity owners	–	–	–	–	–	–	–	(286)	(286)
Appropriation to reserves	–	–	–	1,699	–	(1,699)	–	–	–
	–	(17,465)	–	1,699	–	(1,699)	(17,465)	(286)	(17,751)
Balance at 31 December 2019	19,794	102,572	(19,967)	5,524	8,141	152,285	268,349	6,413	274,762

Note: *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).*

The notes on pages 81 to 143 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

At 31 December 2019 *(Expressed in RMB)*

	Note	**2019 RMB'000**	2018 RMB'000 *(Note)*
Operating activities			
Profit before taxation		**53,262**	58,493
Adjustments for:			
Depreciation expenses	*6(c)*	**29,685**	16,989
Net loss/(gain) on disposal of property, plant and equipment	*5*	**316**	(13)
Net gain on disposal of a subsidiary	*5&27*	**(944)**	–
Finance costs	*6(a)*	**6,685**	619
Interest income	*5*	**(492)**	(288)
Net foreign exchange losses	*5*	**330**	2,768
Impairment losses on property, plant and equipment		**–**	600
Share of profits of a joint venture		**(1,023)**	–
Changes in working capital:			
Decrease/(increase) in inventories		**707**	(671)
(Increase)/decrease in trade receivables		**(5,474)**	4,055
Increase in prepayments, deposits and other receivables		**(62,592)**	(47,535)
Decrease in trade payables		**(256)**	(17,029)
Increase in accrued expenses and other payables		**12,770**	2,176
Cash generated from operations		**32,974**	20,164
Income tax paid	*22(a)*	**(17,412)**	(8,964)
Net cash generated from operating activities		**15,562**	11,200
Investing activities			
Payments for purchase of property, plant and equipment		**(24,121)**	(18,141)
Proceeds from disposal of property, plant and equipment		**168**	59
Payment for acquisition of a subsidiary		**–**	(15,250)
Payments for acquisition of a joint venture		**(71,617)**	(3,505)
Disposal of a subsidiary, net of cash disposed of	*27*	**(784)**	–
Interest received		**492**	288
Net cash used in investing activities		**(95,862)**	(36,549)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on pages 81 to 143 form part of these financial statements.

	Note	**2019 RMB'000**	2018 RMB'000 *(Note)*
Financing activities			
Proceeds from new bank loans	*17(b)*	**73,925**	25,000
Repayment of bank loans	*17(b)*	**(30,000)**	(15,000)
Capital element of lease rentals paid	*17(b)*	**(10,037)**	–
Interest element of lease rentals paid	*17(b)*	**(2,264)**	–
Dividends paid to equity shareholders of the Company	*17(b)*	**(17,465)**	(9,801)
Distributions paid to non-controlling equity owners of a subsidiary	*17(b)*	**(286)**	(465)
Interest paid	*17(b)*	**(4,421)**	(619)
Net cash generated from/(used in) financing activities		**9,452**	(885)
Net decrease in cash and cash equivalents		**(70,848)**	(26,234)
Cash and cash equivalents at 1 January	*17(a)*	**127,918**	151,265
Effect of foreign exchange rate changes		**404**	2,887
Cash and cash equivalents at 31 December	*17(a)*	**57,474**	127,918

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on pages 81 to 143 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 2019 comprise the Group and the Group's interest in a joint venture.

The measurement basis used on the preparation of the financial statements is the historical cost basis.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

A. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

B. Lessee accounting and transition impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 25(b). For an explanation of how the Group applied lessee accounting, see Note 2(h)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.0%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(a) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(b) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(c) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

B. Lessee accounting and transition impact (continued)

The following table reconciles the operating lease commitments as disclosed in Note 25(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 *(Note 25(b))*	22,629
Less: commitments relating to short-term leases and leases of low-value assets exempted from capitalisation	(238)
Add:lease payments for the remaining contractual maturities for the Group's lease liabilities as at 1 January 2019 other than those short-term leases or the additional periods where the Group considers it reasonably certain that it will exercise the extension options	40,083
	62,474
Less: total future interest expenses	(12,022)
Present value of remaining lease payments, discounted using the incremental borrowing rates at 1 January 2019 *(Note 21)*	50,452

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

B. Lessee accounting and transition impact (continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation and reclassification of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment *(Note 11)*	73,791	100,354	174,145
Lease prepayments *(Note 11)*	44,937	(44,937)	–
Total non-current assets	**120,329**	**55,417**	**175,746**
Prepayments, deposits and other receivables *(Note 16)*	68,690	(4,965)	63,725
Total current assets	**202,993**	**(4,965)**	**198,028**
Lease liabilities (current) *(Note 21)*	–	7,508	7,508
Total current liabilities	**60,193**	**7,508**	**67,701**
Total assets less current liabilities	**263,129**	**42,944**	**306,073**
Lease liabilities (non-current) *(Note 21)*	–	42,944	42,944
Total non-current liabilities	**7,661**	**42,944**	**50,605**
Net assets	**255,468**	**–**	**255,468**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

C. Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease terms. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see Note 17(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see Note 17(c)).

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 *(Note 1)* (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial results impacted by the adoption of IFRS 16:					
Profit from operations	58,924	14,922	(12,301)	61,545	**59,112**
Finance costs	(6,685)	2,264	–	(4,421)	(619)
Profit before taxation	53,262	17,186	(12,301)	58,147	**58,493**
Profit for the year	35,693	17,186	(12,301)	40,578	**43,547**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

C. Impact on the financial results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (Notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the consolidated cash flow statement impacted by the adoption of IFRS 16:				
Cash generated from/(used in) operations	**32,974**	**(12,301)**	**20,673**	20,164
Net cash generated from/(used in) operating activities	**15,562**	**(12,301)**	**3,261**	11,200
Capital element of lease rentals paid	(10,037)	10,037	–	–
Interest element of lease rentals paid	(2,264)	2,264	–	–
Net cash generated from/(used in) financing activities	**9,452**	**12,301**	**21,753**	(885)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

D. Lessor accounting

The Group leases out certain petroleum refuelling equipment as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(f)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 perspective. 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) Joint venture

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(i)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's equity interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL (as defined in Note 2(i)) model to such other long-term interests where applicable (see Note 2(i)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's equity interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained equity interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire equity interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any equity interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

The items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(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(u)).

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
– Right-of-use assets	Over the term of lease

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.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(s)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) Credit losses and impairment of assets

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

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

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

– contract assets; and

– lease receivables.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

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

Significant increases in credit risk

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

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

– failure to make payments on their contractually due dates;

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(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)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment of 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, including right-of-use assets; 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.

(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(i)(i) and 2(i)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed 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(j)(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.

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(s).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Contract assets and contract liabilities

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

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). 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(l)).

(l) 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 (see Note 2(k)).

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

(m) 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(u)).

(n) 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.

(o) 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(i)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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)

(q) 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.

(r) 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)

(s) 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 sales 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.

(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. Variable lease payments that do not depend on an index or rate 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(i)(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)

(t) 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 Group 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.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant 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(i)(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 periods.

(b) Depreciation

Property, plant and equipment are depreciated 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.

(d) Determining the lease term

As explained in policy Note 2(h), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operations. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

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:

	2019 RMB'000	2018 RMB'000
Disaggregated by major products or service lines:		
– Sales of natural gas by operating refuelling stations	317,085	275,474
– Revenue from the provision of transportation services	75,026	60,025
– Revenue from the trading of liquefied petroleum gas ("LPG"), Liquefied natural gas ("LNG") and related chemical products	11,137	12,667
	403,248	348,166

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

The Group's customer base for the sale of natural gas by operating refuelling stations is diversified. For the Group's provision of transportation services, there was one customer (2018: one customer), which is a related party of the Group, with whom transactions have exceeded 10% of the Group's revenues. In 2019, revenues from the provision of transportation services to this customer amounted to RMB46,616,000 (2018: RMB50,327,000). Details of the Group's concentrations of credit risk are set out in Note 24(a).

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its contracts for the provision of transportation services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for the provision of transportation services that had an original expected duration of one year or less.

(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 purposes 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, LNG and related chemical products.

– 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 and expenses are allocated to the reportable segments with reference to sales and revenue generated by those segments and the expenses incurred 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 expenses, operating lease charges, other operating expenses and share of profits of a joint venture, 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.

		2019	
	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition:			
– Point in time	328,222	–	328,222
– Over time	–	75,026	75,026
Revenue from external customers	328,222	75,026	403,248
Inter-segment revenue	2,636	13,942	16,578
Reportable segment revenue	330,858	88,968	419,826
Reportable segment profit (gross profit)	114,373	62,129	176,502

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	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

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

	2019 RMB'000	2018 RMB'000 *(Note)*
Revenue		
Reportable segment revenue	**419,826**	362,887
Elimination of inter-segment revenue	**(16,578)**	(14,721)
Consolidated revenue *(Note 4(a))*	**403,248**	348,166
Profit		
Reportable segment profit (gross profit)	**176,502**	148,846
Other income	**8,361**	7,556
Staff costs	**(50,517)**	(44,234)
Depreciation expenses	**(29,685)**	(16,989)
Operating lease charges	**(232)**	(8,115)
Other operating expenses	**(45,505)**	(27,952)
Share of profits of a joint venture	**1,023**	–
Finance costs	**(6,685)**	(619)
Consolidated profit before taxation	**53,262**	58,493

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

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 property, plant and equipment are all located and the location of operations of the Group's joint venture is in the PRC.

5 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Rental income:		
– from operating leases	2,252	3,466
– from entrustment fee in connection with petroleum refuelling stations entrusted to a related party *(Note 26(a))*	1,100	1,100
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party *(Note 26(a))*	4,000	4,000
Net gain on disposal of a subsidiary *(Note 27)*	944	–
Net (loss)/gain on disposal of property, plant and equipment	(316)	13
Net foreign exchange losses	(330)	(2,768)
Government grants	82	1,129
Interest income	492	288
Others	137	328
	8,361	7,556

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2019 RMB'000	2018 RMB'000 *(Note)*
Interest expenses on:		
– bank loans	4,421	619
– lease liabilities	2,264	–
	6,685	619

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

No borrowing costs have been capitalised during the year ended 31 December 2019 (2018: RMBNil).

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**46,548**	39,835
Contributions to defined contribution retirement plans	**3,969**	4,399
	50,517	44,234

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 rates from 16% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligations for payment of other retirement benefits beyond the above contributions.

6 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2019 RMB'000	2018 RMB'000
Depreciation *(Note 11)*		
– owned property, plant and equipment *(Note)*	**14,763**	16,989
– right-of-use assets *(Note)*	**14,922**	–
Minimum lease payments for leases previously classified as operating leases under IAS 17 *(Note)*	**–**	8,115
Operating lease charges relating to short-term leases and leases of low-value assets	**232**	–
Impairment losses/(reversal of impairment losses) on trade receivables *(Note 24(a))*	**39**	(19)
Auditors' remuneration – audit services	**3,000**	3,000
Cost of inventories *(Note 14(b))*	**216,485**	191,997

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The Group's land-use-rights which were previously presented as lease prepayments are also identified as right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term and the amortisation of lease prepayments as previously presented in 2018. Under this approach, the 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:

	2019 RMB'000	2018 RMB'000
Current taxation *(Note 22(a))*		
Provision for the year	**19,597**	13,894
Deferred taxation *(Note 22(b))*		
Origination and reversal of temporary differences	**(378)**	1,052
Effect resulting from a change in applicable withholding tax rate *(Note 7(b)(v))*	**(1,650)**	–
	(2,028)	1,052
	17,569	14,946

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

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**53,262**	58,493
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**15,759**	15,676
Tax effect of non-deductible expenses	**5,102**	2,026
Tax concessions *(Note (iv))*	**(3,223)**	(3,092)
Tax effect of share of profits of a joint venture	**(169)**	–
Tax effect of unused tax losses and temporary differences not recognised	**–**	336
Effect resulting from a change in applicable withholding tax rate *(Note (v))*	**(1,650)**	–
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary *(Note (vi))*	**1,750**	–
Actual tax expense	**17,569**	14,946

Notes:

(i) *The Company, a subsidiary of the Group incorporated in the British Virgin Islands 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 2019 (2018: 16.5%).*

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

(iii) *The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the year ended 31 December 2019 (2018: 25%).*

(iv) *One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2019 (2018: 15%).*

(v) *Pursuant to the Sino-Hong Kong Double Tax Arrangement, United Strength Power HK Limited ("United Strength HK") has obtained approval from the local tax authorities in 2019 and is eligible for preferential withholding tax rate of 5% instead of 10% for dividends received from the PRC subsidiaries of the Group. As a result of the change in the applicable withholding tax rate, the deferred tax liabilities balance at 1 January 2019 was adjusted accordingly.*

(vi) *At 31 December 2019, one of the subsidiaries of the Group established in the PRC intended to distribute RMB35,000,000 to its immediate holding company, United Strength HK. Accordingly, a deferred tax liability of RMB1,750,000 (Note 22(b)) calculated at the applicable withholding tax rate mentioned in Note 7(b)(v) above has been recognised at 31 December 2019.*

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:

	2019				
	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	–	–*	–	–	–
Mr Liu Yingwu	–	–*	–	–	–
Mr Xu Huilin	–	1,584	132	42	1,758
Mr Yuan Limin	–	506	22	3	531
Independent non-executive directors					
Ms Su Dan	264	–	–	–	264
Mr Lau Ying Kit	264	–	–	–	264
Mr Zhang Zhifeng	264	–	–	–	264
	792	2,090	154	45	3,081

	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

* *The salaries, allowances and benefits of Mr Zhao Jinmin and Mr Liu Yingwu are less than RMB1,000, respectively, for the year ended 31 December 2019.*

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: three) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2018: two) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, discretionary bonuses and other emoluments	**2,043**	1,212
Retirement scheme contributions	**32**	15
	2,075	1,227

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:

	2019 Number of individuals	2018 Number of individuals
HK$Nil – HK$1,000,000	**3**	2

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB35,642,000 (2018: RMB42,971,000) and the weighted average of 234,502,000 (2018: 234,502,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2019 and 2018.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts

	Buildings RMB'000	Refuelling equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
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	–	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
Cost:						
At 31 December 2018	24,964	54,856	74,457	674	–	154,951
Impact on initial application of IFRS 16 *(Note)*	–	–	–	–	100,354	100,354
At 1 January 2019	24,964	54,856	74,457	674	100,354	255,305
Additions	–	2,585	6,354	2,046	10,969	21,954
Disposal of a subsidiary *(Note 27)*	(2,093)	(1,955)	(33)	–	(6,723)	(10,804)
Disposals	(19)	(382)	(4,531)	–	–	(4,932)
At 31 December 2019	22,852	55,104	76,247	2,720	104,600	261,523
Accumulated depreciation and impairment losses:						
At 31 December 2018	8,382	34,995	37,783	–	–	81,160
Charge for the year	1,114	4,623	9,026	–	14,922	29,685
Written back on disposal of a subsidiary *(Note 27)*	(727)	(1,602)	(32)	–	–	(2,361)
Written back on disposals	(8)	(361)	(4,079)	–	–	(4,448)
At 31 December 2019	8,761	37,655	42,698	–	14,922	104,036
Carrying amount:						
At 31 December 2019	14,091	17,449	33,549	2,720	89,678	157,487

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See Note 2(c).

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts (continued)

At 31 December 2019, property certificates of certain properties with carrying amounts of RMB190,000 (2018: RMB206,000), are yet to be obtained. At 31 December 2019, 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) Right-of-use assets

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000
Land use rights *(Note)*	**46,502**	44,937
Buildings and properties	**3,558**	7,316
Refuelling stations and related equipment	**35,315**	42,796
Motor vehicles and other equipment	**4,303**	5,305
	89,678	100,354

Note: *Land use rights represent premiums paid by the Group for land located in the PRC. These land use rights are with lease terms of 30 to 50 years. Land use rights are presented as "lease prepayments" in 2018, and with the adoption of IFRS 16, they are presented as right-of-use assets under "property, plant and equipment" at 1 January 2019. The movements of lease prepayments in 2018 were as follows:*

	RMB'000
Cost:	
At 1 January 2018	50,145
Additions	2,185
At 31 December 2018	52,330
Accumulated amortisation:	
At 1 January 2018	6,016
Charge for the year	1,377
At 31 December 2018	7,393
Carrying amount:	
At 31 December 2018	44,937

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets (continued)

(ii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000 *(Note)*
Depreciation charge of right-of-use assets by class of underlying asset *(Note 6(c))*:		
Land use rights	**1,794**	1,377
Buildings and properties	**3,832**	–
Refuelling stations and related equipment	**6,107**	–
Motor vehicles and other equipment	**3,189**	–
	14,922	1,377
Interest expenses on lease liabilities *(Note 6(a))*	**2,264**	–
Operating lease charges relating to short-term leases and leases of low-value assets *(Note 6(c))*	**232**	–
Minimum lease payments for leases previously classified as operating leases under IAS 17 *(Note 6(c))*	**–**	8,115

Note: *The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The Group's land-use-rights which were previously presented as lease prepayments are identified as right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term and the amortisation of lease prepayments as previously presented in 2018. Under this approach, the comparative information is not restated. See Note 2(c).*

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 17(c) and 21, respectively.

(c) Assets leased out under operating leases

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 2019, the aggregate carrying amounts of the properties (buildings and land-use-rights), and motor vehicles and other equipment leased out amounted to RMB4,328,000 (2018: RMB4,628,000).

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**1,687**	1,897
After 1 year but within 5 years	**4,694**	2,366
After 5 years	**3,973**	3,414
	10,354	7,677

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

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

			Percentage of ownership interest			
Name of company	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Jilin Dongkun Gas Company Limited (吉林東昆燃氣有限公司)*	The PRC 30 September 1999	RMB18,728,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited ("Jilin Clean Energy") (吉林中油潔能環保有限責任公司)*	The PRC 19 September 2001	RMB8,000,000	51%	–	51%	Sale of natural gas to vehicular end-users by operating refuelling stations
Jilin Province Jieli Logistics Company Limited (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 Company Ltd. (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

12 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			Principal activities
			The Group's effective interest	Held by the Company	Held by subsidiaries	
Silver Spring Green Energy Limited*** ("Silver Spring Green") *(Note 13)*	Hong Kong 31 March 2015	1 share	100%	–	100%	Investment holding
Yanbian Jieli Logistics Company Limited (延邊捷利物流有限公司)*	The PRC 13 April 2018	RMB50,000,000	100%	–	100%	Provision of transportation services
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 combined financial information relating to subsidiaries of the Group with material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000 *(Note)*
NCI percentage:		
– Jilin Clean Energy	**49%**	49%
– Yanbian United Strength	**40%**	40%
– Sino Regent	**49%**	49%
Non-current assets	**14,704**	11,413
Current assets	**14,614**	14,973
Current liabilities	**(16,370)**	(12,984)
Net assets	**12,948**	13,402
Net assets attributable to NCI	**6,413**	6,648

12 INVESTMENTS IN SUBSIDIARIES (continued)

	2019 RMB'000	2018 RMB'000
Revenue	**83,727**	70,238
Profit and total comprehensive income for the year	**131**	1,194
Profit and total comprehensive income attributable to NCI	**51**	576

Note: These subsidiaries have initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

13 INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of joint venture	Place of establishment and business	Particulars of registered and paid-up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China Travel Service International Financial Leasing Company Limited ("CTS Financial Leasing")* (港中旅國際融資租賃有限公司)	The PRC	RMB180,000,000	30%	–	30%	Provision of financial leasing services

* *The official name of this entity is in Chinese. The English translation of the name is for identification purpose only. This company is a limited liability company established in the PRC.*

On 31 January 2019, the Group, 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, of which operation is solely to hold 30% equity interests in CTS Financial Leasing, at a consideration of HK$84,500,000 (equivalent to approximately RMB74,259,000). The consideration comprised cash of HK$18,902,000 (equivalent to approximately RMB16,611,000) and the assumption of a shareholder's loan of HK$65,598,000 (equivalent to approximately RMB57,648,000). The acquisition related costs amounted to RMB864,000.

Upon completion of the acquisition, Silver Spring Green became a wholly-owned subsidiary of the Group, and CTS Financial Leasing became a joint venture of the Group. CTS Financial Leasing is an unlisted corporate entity whose quoted market price is not available.

13 INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of CTS Financial Leasing, including fair value adjustments and any differences with the Group's accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, is disclosed below:

	At 31 December 2019 RMB'000
Gross amounts of CTS Financial Leasing's	
Non-current assets	283,019
Current assets	359,152
Current liabilities	(220,700)
Non-current liabilities	(162,951)
Equity	258,520
Included in the above assets and liabilities:	
Cash and cash equivalents	70,813
Bank and other loans	
– Current	113,250
– Non-current	146,791

	For the period from the date of the acquisition to 31 December 2019 RMB'000
Revenue (from the date of acquisition to 31 December 2019)	34,801
Net profit for the period from the date of acquisition to 31 December 2019	3,410

	For the period from the date of the acquisition to 31 December 2019 RMB'000
Carrying amount of interest in a joint venture	
At the date of acquisition	75,123
Share of profits of the joint venture for the period from the date of the acquisition to 31 December 2019	1,023
Effect of exchange differences	1,410
At 31 December 2019	77,556

14 INVENTORIES

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Gases	750	1,650
Spare parts	865	686
	1,615	2,336

(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:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	216,485	191,997

15 TRADE RECEIVABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net of loss allowance, due from:		
– related parties	2,791	3,446
– third parties	6,407	278
	9,198	3,724

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:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	9,198	3,638
1 to 3 months	–	86
	9,198	3,724

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 24(a).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000	At 31 December 2018 RMB'000 *(Note (i))*
Prepayments for purchase of inventories and services from:			
– related parties	**1,208**	3,559	3,559
– third parties	**8,939**	14,036	14,036
	10,147	17,595	17,595
Deposits to suppliers *(Note (ii))*	**111,100**	39,304	39,304
Prepayments for entrustment fee in connection with gas refuelling stations entrusted from third parties *(Note (i))*	**–**	–	4,688
Advances to staff	**920**	142	142
Deposit in connection with an acquisition of an investment in a joint venture *(Note 13)*	**–**	3,505	3,505
Others *(Note (i))*	**93**	3,179	3,456
	122,260	63,725	68,690

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

Notes:

(i) *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach, and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The right-of-use assets comprised the amount recognised for the remaining lease liabilities and any amount prepaid or accrued lease payments relating to the leases. Under this approach, the comparative information is not restated. See Note 2(c).*

(ii) *These deposits were made to LNG, LPG and related chemical products suppliers to secure the supply of the related products for irrevocable sales orders placed by customers with the Group arising from the Group's trading of LPG, LNG and related chemical products business.*

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	**57,474**	127,918

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	Lease liabilities RMB'000 *(Note 21)*	Total RMB'000
At 31 December 2018	25,000	–	–	–	25,000
Impact on initial application of IFRS 16 (Note)	–	–	–	50,452	50,452
At 1 January 2019	25,000	–	–	50,452	75,452
Changes from financing cash flows:					
Proceeds from new bank loans	73,925	–	–	–	73,925
Repayment of bank loans	(30,000)	–	–	–	(30,000)
Capital element of lease rentals paid	–	–	–	(10,037)	(10,037)
Interest element of lease rentals paid	–	–	–	(2,264)	(2,264)
Dividends paid to equity shareholders of the Company	–	–	(17,465)	–	(17,465)
Distributions paid to non-controlling equity owners of a subsidiary	–	–	(286)	–	(286)
Interest paid	–	(4,421)	–	–	(4,421)
Total changes from financing cash flows	43,925	(4,421)	(17,751)	(12,301)	9,452
Other Changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	7,610	7,610
Decrease in lease liabilities from disposal of a subsidiary *(Note 27)*	–	–	–	(6,723)	(6,723)
Dividends approved in respect of the previous year *(Note 23(b))*	–	–	17,465	–	17,465
Distributions declared by a subsidiary	–	–	286	–	286
Finance costs *(Note 6(a))*	–	4,421	–	2,264	6,685
Total other changes	–	4,421	17,751	3,151	25,323
At 31 December 2019	68,925	–	–	41,302	110,227

17 CASH AND CASH EQUIVALENTS (continued)

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

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See Notes 2(c) and 21.

	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	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 *(Note 23(b))*	–	–	(9,801)	–	(9,801)
Distributions paid to non-controlling equity owners of a subsidiary	–	–	(465)	–	(465)
Advances from a related party	–	–	–	6,000	6,000
Repayment 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 *(Note 23(b))*	–	–	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)

(c) Total cash outflows for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 RMB'000 *(Note)*
Within operating cash flows		
– Lease rentals paid	232	13,172
Within investing cash flows		
– Payments for purchase of land-use-rights	3,359	2,185
Within financing cash flows		
– Lease rentals paid	12,301	–
	15,892	15,357

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for payments for short-term leases and leases of low-value assets, all other rentals paid on leases are now split into capital element and interest element and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impacts of the transition to IFRS 16 are set out in Note 2(c).

18 BANK LOANS

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Secured by property, plant and equipment and land use rights of the Group and guaranteed by a subsidiary	25,000	25,000

(b) The Group's long-term bank loans are analysed as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Secured by equity interests of a subsidiary, and guaranteed by the controlling shareholder of the Group and a related party	43,925	–

The bank loans are repayable between one to two years, and are guaranteed by Mr Zhao Jinmin and his spouse (Note 26(a)).

18 BANK LOANS (continued)

(c) At 31 December 2019, the aggregate carrying amount of the property, plant and equipment pledged for the Group's short-term bank loans is RMB15,862,000 (2018: RMB16,946,000).

(d) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 24(b). At 31 December 2019, none of the covenants relating to the bank loans had been breached (2018: None).

19 TRADE PAYABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables due to:		
– related parties	**–**	1,199
– third parties	**4,576**	3,723
	4,576	4,922

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

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	**4,576**	4,922

20 ACCRUED EXPENSES AND OTHER PAYABLES

	At 31 December 2019 RMB'000	At December 2018 RMB'000
Payables for staff related costs	**2,491**	2,083
Deposits from customers	**1,341**	1,446
Payables for acquisitions of property, plant and equipment	**–**	9,777
Other taxes payables	**946**	1,327
Others	**2,928**	3,473
Financial liabilities measured at amortised cost	**7,706**	18,106
Receipts in advance from customers	**15,453**	5,191
	23,159	23,297

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 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 *(Note)*	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**14,512**	**15,144**	7,508	8,155
After 1 year but within 2 years	**4,310**	**4,692**	10,148	11,173
After 2 years but within 5 years	**11,833**	**14,244**	16,347	18,786
After 5 years	**10,647**	**15,814**	16,449	24,360
	26,790	**34,750**	42,944	54,319
	41,302	**49,894**	50,452	62,474
Less: total future interest expenses		**(8,592)**		(12,022)
Present value of lease liabilities		**41,302**		50,452

21 LEASE LIABILITIES (continued)

The balance of lease liabilities represents:

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000 *(Note)*
– Payable to related parties	**22,670**	18,611
– Payable to third parties	**18,632**	31,841
	41,302	50,452

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in Note 2(c).

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 RMB'000	2018 RMB'000
Income tax payable at 1 January, net	**6,649**	1,719
Provision for the year *(Note 7(a))*	**19,597**	13,894
Income tax paid	**(17,412)**	(8,964)
Income tax payable at 31 December, net	**8,834**	6,649
Representing:		
Income tax payable	**9,172**	6,974
Income tax recoverable	**(338)**	(325)
	8,834	6,649

(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	Impairment loss on property, plant and equipment RMB'000	Depreciation and finance costs arising from capitalisation of leases RMB'000	Fair value adjustments on property, plant and equipment and subsequent depreciation RMB'000	Retained profits to be distributed RMB'000	Net RMB'000
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)
At 1 January 2019	**4**	**52**	**12**	**94**	**–**	**(2,922)**	**(3,300)**	**(6,060)**
(Charged)/credited to the consolidated statement of profit or loss *(Note 7(a))*	**–**	**(52)**	**10**	**–**	**428**	**92**	**(100)**	**378**
Effect resulting from a change in applicable withholding tax rate *(Note 7(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**1,650**	**1,650**
At 31 December 2019	**4**	**–**	**22**	**94**	**428**	**(2,830)**	**(1,750)**	**(4,032)**

22 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:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**1,742**	1,601
Deferred tax liabilities recognised in the consolidated statement of financial position	**(5,774)**	(7,661)
	(4,032)	(6,060)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain deductible temporary differences of RMBNil (2018: RMB6,204,000) 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 2019, taxable temporary differences relating to the undistributed profits of the subsidiaries of the Group established in the PRC amounted to RMB166,869,000 (2018: RMB135,600,000), where deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits for the year ended 31 December 2019, have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

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

	Share capital RMB'000 *(Note 23(c))*	Share premium RMB'000 *(Note 23(d)(i))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Accumulated losses RMB'000	Total RMB'000
At 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 23(b)(ii))*	–	–	–	(9,801)	(9,801)
At 31 December 2018 and 1 January 2019	**19,794**	**120,037**	**6,705**	**(10,820)**	**135,716**
Changes in equity for 2019:					
Loss for the year	**–**	**–**	**–**	**(27,881)**	**(27,881)**
Other comprehensive income for the year	**–**	**–**	**1,900**	**–**	**1,900**
Total comprehensive income	**–**	**–**	**1,900**	**(27,881)**	**(25,981)**
Dividends approved in respect of the previous year *(Note 23(b)(ii))*	**–**	**(17,465)**	**–**	**–**	**(17,465)**
At 31 December 2019	**19,794**	**102,572**	**8,605**	**(38,701)**	**92,270**

Note: The Group, including the Company, has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity at 1 January 2019. See Note 2(c).

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the end of the reporting period of HK$0.0853 per ordinary share (2018: HK$0.0852 per ordinary share)	17,855	17,465

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

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0852 per ordinary share (2018: HK$0.05 per ordinary share)	17,465	9,801

(c) Share capital

	2019		2018	
	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

	2019		2018	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid: At 1 January and at 31 December	234,502	19,794	234,502	19,794

23 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 1 January 2018 represented 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.

(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(t).

(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 continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, 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 2019, 40% (2018: 33%) and 95% (2018: 90%) 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 2019 (2018: RMBNil).

24 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 at 31 December 2019:

	At 31 December 2019		
	Expected loss rate RMB'000	Gross carrying amount RMB'000	Loss allowance
Current (not past due)	0.92%	9,284	(86)

	At 31 December 2018		
	Expected loss rate RMB'000	Gross carrying amount RMB'000	Loss allowance
Current (not past due)	0.80%	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 3 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.

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

	2019 RMB'000	2018 RMB'000
Balance at 1 January	47	66
Impairment losses/(reversal of impairment loss) during the year *(Note 6(c))*	39	(19)
Balance at 31 December	86	47

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

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2019 Contractual undiscounted cash outflow						2018 Contractual undiscounted cash outflow	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	Carrying amount RMB'000
Bank loans	30,663	45,884	–	–	76,547	68,925	25,988	25,000
Trade payables	4,576	–	–	–	4,576	4,576	4,922	4,922
Accrued expenses and other payables measured at amortised cost	7,706	–	–	–	7,706	7,706	18,106	18,106
Lease liabilities *(Note)*	15,144	4,692	14,244	15,814	49,894	41,302	–	–
	58,089	50,576	14,244	15,814	138,723	122,509	49,016	48,028

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See Note 2(c).

(c) Interest rate risk

Interest rate profile

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 bank 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:

	2019		2018	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate borrowings:				
Bank loans	5.66%-10.00%	68,925	4.79%	25,000

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

(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.

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.

	2019 **RMB** **RMB'000**	2018 RMB RMB'000
Dividends receivable from a subsidiary	–	33,000

(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 2019 and 2018.

25 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2019 not provided for in the consolidated financial statements were as follows:

	2019 **RMB'000**	2018 RMB'000
Commitments in respect of property, plant and equipment:		
– Authorised but not contracted for	**21,559**	11,090

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

	RMB'000
Within 1 year	1,990
After 1 year but within 5 years	6,473
After 5 years	14,166
	22,629

The Group is the lessee in respect of a number of land, buildings, equipment and dangerous goods transportation vehicles held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2(h), and the details regarding the Group's future lease payments are disclosed in Note 21.

26 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with the equity shareholders of the Company, companies controlled by the equity shareholders of the Company and their close family members

	2019 RMB'000	2018 RMB'000
Sales of goods	**198**	53
Provision of transportation services	**46,616**	50,327
Purchases of goods	**14,983**	10,496
Rental income:		
– from operating leases	**127**	124
– from 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 (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	**3,512**	4,307
Entrustment fee in connection with gas refuelling stations entrusted from a related party (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	**2,663**	1,751
Advances from a related party	**–**	6,000
Repayment of advances from a related party	**–**	6,000
Guarantees provided for the Group's bank loans at the end of the reporting period *(Note 18(b))*	**43,925**	–

(b) 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 of the Group as disclosed in Note 9, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**4,647**	4,579
Contributions to defined contribution retirement scheme	**108**	260
	4,755	4,839

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

26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

Certain related party transactions included in Note 26(a) 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 Transactions of the Directors' Report or those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

27 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 United Strength Vehicle Energy Investment Company Limited ("Jixi Energy") at a consideration of RMBNil. Upon completion of the disposal, a gain of RMB944,000 was recognised in "other income" in the consolidated statement of profit or loss of the Group (see Note 5).

(i) The carrying amounts of assets and liabilities in the subsidiary at the date of disposal were as follow:

	RMB'000
Property, plant and equipment *(Note 11)*	8,443
Inventories	14
Prepayments, deposits and other receivables	552
Cash and cash equivalents	784
Trade payables	(90)
Accrued expenses and other payables	(3,924)
Lease liabilities	(6,723)
Net liabilities	(944)

(ii) Notes to the consolidated cash flow statement

Total consideration	–
Net liabilities of the subsidiary disposed of	(944)
Net gain on disposal of the subsidiary recognised in other income in the consolidated statement of profit or loss *(Note 5)*	944
Total consideration received from the disposal	–
Cash and cash equivalents disposed of	784
Net outflow of cash and cash equivalents in connection with the disposal	(784)

28 COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current assets			
Interests in a subsidiary	*12*	**116,866**	1
Right-of-use assets		**3,128**	–
		119,994	1
Current assets			
Amounts due from subsidiaries		**–**	40,677
Dividends receivable		**–**	33,000
Cash and cash equivalents		**18,330**	62,054
		18,330	135,731
Current liabilities			
Other payables		**9**	16
Lease liabilities		**1,742**	–
		1,751	16
Net current assets		**16,579**	135,715
Total assets less current liabilities		**136,573**	135,716
Non-current liabilities			
Bank loans		**43,925**	–
Lease liabilities		**378**	–
		44,303	–
NET ASSETS		**92,270**	135,716
CAPITAL AND RESERVES	*23*		
Share capital		**19,794**	19,794
Reserves		**72,476**	115,922
TOTAL EQUITY		**92,270**	135,716

Approved and authorised for issue by the board of directors on 25 March 2020.

Zhao Jinmin
Chairman

Xu Huilin
Director

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed final dividend

On 25 March 2020, the directors of the Company proposed a final dividend. Further details are disclosed in Note 23(b).

(b) Impact from the COVID-19 Pandemic

The COVID-19 Pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The directors of the Company have been closely monitoring the impact from the COVID-19 Pandemic on the Group and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing the flexibility of the current mechanisms in determining the selling price of natural gas in light of its correlation to the price of crude oil, expanding the supplier base of natural gas in ensuring the adequate supply of natural gas at prices that align with market quotations, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms. The Group will keep the contingency measures under review as the COVID-19 Pandemic situation evolves.

As far as the Group's businesses are concerned, the COVID-19 Pandemic may cause decrease of sales volume and selling price of natural gas, but the Group considers that such impact could be temporarily and likely to reverse upon the cessation of the COVID-19 Pandemic, while such impact would also be reduced due to the lower purchase price of natural gas. In addition, the COVID-19 Pandemic may also significantly impact the operations of the Group's customers, hence impacting the repayment abilities of the Group's trade debtors, which in turn may result in additional impairment losses on trade and other receivables in future periods. These possible impacts have not been reflected in these financial statements, and the actual impacts may differ from estimates adopted in these financial statements as the COVID-19 Pandemic situation continues to evolve and when further information may become available.

30 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

31 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 2019 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)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform	1 January 2020
IFRS 17, Insurance contracts	1 January 2022
Amendments to IFRS 10 and IAS 28, Sale or contribution of sales between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 2019 is extracted from the financial statements in this annual report while such for 2016 is extracted from the prospectus of the Company dated 29 September 2017.

RESULTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000 Restated	2016 RMB'000
Revenue	**403,248**	348,166	256,147	274,605
Profit before taxation	**53,262**	58,493	23,354	45,279
Income tax	**(17,569)**	(14,946)	(12,739)	(10,653)
Profit for the year	**35,693**	43,547	10,615	34,626
Attributable to:				
Equity shareholders of the Company	**35,642**	42,971	9,525	34,186
Non-controlling interests	**51**	576	1,090	440
Profit for the year	**35,693**	43,547	10,615	34,626

ASSETS AND LIABILITIES

	2019 RMB'000	2018 RMB'000	2017 RMB'000 Restated	2016 RMB'000
Total assets	**427,670**	323,322	300,550	205,409
Total liabilities	**152,908**	67,854	70,142	62,756
	274,762	255,468	230,408	142,653
Total equity attributable to				
Equity shareholders of the Company	**268,349**	248,820	223,871	137,404
Non-controlling interests	**6,413**	6,648	6,537	5,249
	274,762	255,468	230,408	142,653