UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2018

Commission File Number 000-55802

H/CELL ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**47-4823945** (IRS Employer Identification No.)

3010 LBJ Freeway, Suite 1200 **Dallas, TX** (Address of principal executive office)	**75234** (Zip Code)	**(972) 888-6009** (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.0001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates as of June 30, 2018, based on the closing sales price of the common stock as quoted on the OTCQB was $1,593,585. For purposes of this computation, all officers, directors, and 5 percent beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such directors, officers, or 5 percent beneficial owners are, in fact, affiliates of the registrant.

As of March 25, 2019, there were 7,621,024 shares of registrant's common stock outstanding.

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PART I

ITEM 1 - BUSINESS

This Annual Report on Form 10-K (including the section regarding Management's Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-K. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our Management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risks Factors" below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission ("SEC"). You can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Overview

We were formed in August 2015 to expand upon the successful implementation of a hydrogen energy system used to completely power a residence or commercial property with clean energy so that it can run independent of the utility grid and also provide energy to the utility grid for monetary credits. This system uses renewal energy as its source for hydrogen production. We believe that it is a revolutionary green-energy concept that is safe, renewable, self-sustaining and cost effective.

Market Potential

According to the International Energy Agency's World Energy Outlook 2017, renewable energy will represent the largest source of electrical generation through 2040. During that time, the share of renewable energy in global power generation is expected to rise from its current 25% to 40%. This rapid growth in the use of renewable energy is led by continued expansion in renewable energy technology, the need to lessen dependency on fossil fuel energy, grid-based vulnerabilities and the battle against global warming.

As we are one of the first providers of a hydrogen energy system for residential housing, we are creating this new market within the renewable energy sector. As a result, there is no expectation or basis for any projections of the future of this market. Since the market did not exist previously, there can only be growth, not a decline, and we are, through the use of these statistics, showing that there is a significant market opportunity for hydrogen energy in the renewable energy sector. While the statistics show that there is expected to be a significant growth in renewable energy market, we cannot provide any assurances as to how much, if any, of this market, we will be able to capture.

Technology Overview

There are great benefits to hydrogen energy. The use of hydrogen as a fuel produces no carbon dioxide or other greenhouse gases. Unlike fossil fuels, the sole emission from hydrogen fuel is chemically pure water. Hydrogen can be extracted from water using renewable energy from the sun and unlike batteries, hydrogen energy can be stored indefinitely. There is no drilling, fracking or mining required to produce hydrogen energy. We believe it is safe and efficient, and the cleanest energy source on the planet. In addition to offering this self-sustaining clean energy system using hydrogen and fuel cell technology, we offer a number of renewable energy services, such as audits of energy consumption, review of energy/tax credits available, feasibility studies, solar/battery system installation, zoning/permitting analysis, site design/preparation and restoration, system startup, testing, commissioning, maintenance and interconnection applications.

The HC-1 System

We have succeeded in developing a hydrogen energy system designed to create electricity. We call the hydrogen energy system the HC-1. The HC-1 system functions as a self-sustaining renewable energy system. It can be configured as an off grid solution for all your electricity needs or it can be connected to the grid to generate energy credits. Its production of hydrogen is truly eco-friendly, as it is not produced by the use of fossil fuels. It is a system comprised of solar, batteries, a hydrogen generator, a fuel cell and a hydrogen storage tank.

When there is sunlight, the solar produce renewable energy that charges a bank of batteries. After the batteries are fully charged, the excess electricity is then combined with water through a hydrogen generator that extracts the hydrogen from the water in a gasified state, which is safely transferred to a tank and stored for later use. If the tank is full, excess electricity is sent from the batteries to the utility grid, which results in energy credits for the system owner.

The HC-1 system is connected to the residential or commercial property. The electricity is always provided by the charged batteries. If there is no solar to charge the batteries, the system keeps the batteries fully charged by using hydrogen stored in the tank, which processed through a fuel cell, creates the electricity. As the system is able to produce hydrogen, that keeps the hydrogen tank full, it provides a continuous supply of clean energy and sustainability that is independent from the grid.

Each HC-1 system is custom designed to accommodate the electrical loads for an end user. The system is completely scalable. Typically, one HC-1 standard system configuration can provide 40 kWh per day, which is a sufficient amount of electricity to satisfy the daily demand of a majority of homes in the United States. If the customer is connected to the utility grid, excess energy production is transferred to the utility company, creating energy credits.

Solar Modules and Racking

Solar Inverters

Battery Inverters

Batteries and Enclosure

HC-1 Outdoor Enclosure

Hydrogen Generator

Fuel Cell

Hydrogen Tank

Hydrogen Tank Connected

We are an integrator of technology, so we do not manufacture any of the components of our HC-1 system. All components are purchased from various suppliers. We do not have any formal relationships with any suppliers as all of the components are readily available off-the-shelf from a number of various suppliers. As such, when we need to obtain components, we are able to source such components at that time and at the best available price.

Each project is customized to meet the particular needs of the client. Various factors, including the size of the residence or commercial property, the amount of electricity needed to be generated and the amount of solar availability, all impact the price charged on a project.

All project work is performed to specifications that meet local utility requirements as well as domestic and international building codes. Once the system is operational, we remotely receive data to monitor its performance and energy efficiency to confirm the system is functioning as expected. We will also provide any additional maintenance required at standard labor rates. Each of the components has a manufacturer's warranty that is at least one year in duration. If components need to be replaced after the one year workmanship warranty, we will secure replacement components, under warranty if possible, and we will install at our standard labor rates.

Growth Strategy

We intend to aggressively grow our business, both organically and through strategic acquisitions. We intend to continue to acquire companies with licensed contractors in various states and regions, which will allow us to expand the territories in which we can build our systems. These acquired companies will also provide us with a consistent revenue stream, a customer base for marketing our HC-1 systems and technicians that can be trained to design and install our systems.

Pride Subsidiary

On January 31, 2017, we entered into a share exchange agreement (the "Exchange Agreement") with The Pride Group (QLD) Pty Ltd., an Australian corporation ("Pride"), Turquino Equity LLC ("Turquino") and Stephen Paul Mullane and Marie Louise Mullane as Trustees of the Mullane Family Trust (together with Turquino, the "Pride Shareholders"). Pursuant to the Exchange Agreement, we acquired all of the issued and outstanding capital stock of Pride from the Pride Shareholders in exchange for an aggregate of 3,800,000 shares of our common stock. Andrew Hidalgo and Matthew Hidalgo, our Chief Executive Officer and Chief Financial Officer, respectively, are each a managing partner of Turquino.

Pride sells, designs, installs and maintains a variety of technology products in the security systems market, including commercial alarm systems, access control and video surveillance. Pride also provides annual maintenance contracts. The division generates approximately half of its revenue from government contracts and the other half from the commercial sector. Pride has recurring annual maintenance revenue of close to AUD $2 million. Pride is a certified security systems integrator for the Queensland Government and has various government contracts in place for installation, maintenance and project services. Pride also works with a number of general contractors as a subcontractor for security systems integration.

Pride has a renewable energy division that designs, installs and maintains a variety of technology services in the clean energy market, including audits of energy consumption, review of energy and tax credits available, feasibility studies, solar/battery energy system design, zoning and permitting analysis, site design/preparation and restoration, system startup, testing and commissioning and maintenance. The division has a significant bid list and has begun to generate limited revenue for renewable energy systems focusing on the residential, commercial and government sectors.

PVBJ Subsidiary

On February 1, 2018, we acquired PVBJ, Inc. ("PVBJ") of Downingtown, Pennsylvania for $1 million of HCCC stock and $221,800 in cash. Established in 2008 and historically profitable, PVBJ is well recognized for the design, installation, maintenance and emergency service of environmental systems both in residential and commercial markets. PVBJ is now expanding into renewable energy systems. PVBJ has an extensive and notable customer base.

Competition

Given the increasing focus on renewable energy to offset the environmental problems caused by fossil fuels, the renewable energy industry is highly competitive, and rapidly evolving. Our major competitors include leading global companies, and other regional and local energy providers.

In the markets where we plan to conduct business, we will compete with many energy producers including electric utilities and large independent power producers. There is also competition from fossil fuel sources such as natural gas and coal, and other renewable energy sources such as solar and wind. The competition depends on the resources available within the specific markets. However, we believe that our system allows us to compete favorably with traditional utilities and other renewable energy systems in the regions we service.

Although the cost to produce clean, reliable, renewable energy is becoming more competitive with traditional fossil fuel sources, it generally remains more expensive to produce, and the reliability of its supply is less consistent than traditional fossil fuel. Deregulation and consumer preference are becoming important factors in increasing the development of renewable energy projects.

However, as a company with only a short operating history, substantially all of our competitors have advantages over us in terms of greater operational, financial, technical, management or other resources in particular markets or in general. While hydrogen energy has certain advantages when compared to other power generating technologies, it is one of the newer and less established methods of renewable energy and therefore currently has less market acceptance.

Governmental Regulation

We are subject to laws and regulations affecting our operations in a number of areas. These U.S. and foreign laws and regulations affect the Company's activities which include, but are not limited to, the areas of zoning, permitting, labor, advertising, consumer protection, real estate, billing, quality of services, intellectual property and ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, and health and safety. In the U.S., our operations are subject to stringent and complex federal, state and local laws and regulations governing the occupational health and safety of our employees and wage regulations. For example, we are subject to the requirements of the federal Occupational Safety and Health Act, as amended, or OSHA, and comparable state laws that protect and regulate employee health and safety. We expend resources to maintain compliance with OSHA requirements and industry best practices.

Regulatory Matters

If a customer wishes to connect our system to the electrical grid in order to generate energy credits, the customer needs to obtain interconnection agreements from the applicable local primary electricity utility. Prior to an installation of the HC-1 system, on behalf of the customer, we will submit an interconnection application with the local public utility company to become a certified renewable energy generator. Approval of the application is based on a balance of historical consumption and the amount of renewable energy to be produced. In almost all cases, interconnection agreements are standard form agreements that have been pre-approved by the local public utility commission or other regulatory body with jurisdiction over interconnection. As such, no additional regulatory approvals are required once interconnection agreements are signed. In our experience, there has not been any cost involved in obtaining an interconnection agreement, but as the requirements are determined on a local basis, it may be possible that some nominal costs are involved in connection with the process.

Government Incentives

We intend to focus on states or countries whose government supports a regulatory standard requiring its utility companies to increase their production of energy from renewable energy sources. These governments have established various incentives and financial mechanisms to accelerate and promote the use of renewable energy sources. If the customer obtains an interconnection agreement from the applicable local primary electricity utility, once the HC-1 system is operational, the HC-1 system end user can eliminate their electric bill and, if in a permissible state, can begin generating energy credits.

Employees

As of March 25, 2019, we had 52 full time employees, of which 33 worked for Pride, 14 for PVBJ, and five at corporate. We plan to hire employees on an as-needed basis. None of our employees are represented by a labor union, and we believe that our relations with our employees are good.

Item 1A. Risk Factors

Risks Related to Our Company and Our Business

We have a short operating history and have generated minimal revenue to date. This makes it difficult to evaluate our future prospects and increases the risk that we will not be successful.

We were incorporated in August 2015, have been operating for less than four years. As a result, we have a very limited operating history for you to evaluate in assessing our future prospects. We are subject to all risks inherent in a developing business enterprise. Our likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the services industry and the competitive and regulatory environment in which we operate. As a new industry, there are few established companies whose business models we can follow. Similarly, there is little information about comparable companies for potential investors to review in making a decision about whether to invest in the Company.

Potential investors should consider, among other factors, our prospects for success in light of the risks and uncertainties generally encountered by companies that, like us, are in their early stages. We may not successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of our common stock to the point investors may lose their entire investment.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

In April 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for "emerging growth companies," including certain requirements relating to accounting standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things, (1) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes Oxley Act of 2002, (2) comply with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (3) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise, (4) provide certain disclosure regarding executive compensation required of larger public companies or (5) hold unit holder advisory votes on executive compensation.

Our services have never been provided on a mass market commercial basis, and we do not know whether they will be accepted by the market.

The market for residential or commercial properties to run on hydrogen energy is a relatively new concept and the extent to which its use will be widely adopted is uncertain. To date, we are only aware of four homes, which we installed, that have been successful with this technology, and that is not a large enough market to prove our concept. If our services are not accepted by the market our financial condition will be negatively impacted. The development of a successful market for our proposed operations and our ability to implement our business plan may be affected by a number of factors, many of which are beyond our control. If our proposed operations fail to gain sufficient market acceptance, our business plans, prospects, results of operations and financial condition will be negatively impacted.

If hydrogen energy technology is not suitable for widespread adoption at economically attractive rates of return or if sufficient additional demand for hydrogen energy systems does not develop or takes longer to develop than we anticipate, we may not achieve significant net sales and we may be unable to obtain or sustain profitability.

In comparison to fossil fuel-based electricity generation, the hydrogen energy market is at an early stage of development. If hydrogen technology proves unsuitable for widespread adoption at economically attractive rates of return or if additional demand for hydrogen energy systems fails to develop sufficiently or takes longer to develop than we anticipate, we may be unable to grow our business or generate sufficient net sales to obtain profitability. In addition, demand for hydrogen energy systems in our targeted markets may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of hydrogen energy technology and demand for hydrogen energy systems, including the following:

- cost-effectiveness of the electricity generated by hydrogen energy systems compared to conventional energy sources, such as natural gas and coal (which fuel sources may be subject to significant price fluctuations from time to time), and other non-solar renewable energy sources, such as solar or wind;

- performance, reliability, and availability of energy generated by hydrogen energy systems compared to conventional and other renewable energy sources and products, particularly conventional energy generation capable of providing 24-hour, non-intermittent baseload power;

- success of other renewable energy generation technologies, such as solar, hydroelectric, tidal, wind, geothermal, and biomass;

- fluctuations in economic and market conditions that affect the price of, and demand for, conventional and non-solar renewable energy sources, such as increases or decreases in the prices of natural gas, coal, oil, and other fossil fuels;

- fluctuations in capital expenditures by end-users of renewable energy systems, which tend to decrease when the economy slows and when interest rates increase; and

- availability, substance, and magnitude of support programs including government targets, subsidies, incentives, and renewable portfolio standards to accelerate the development of the hydrogen energy industry.

Our business currently depends on the availability of rebates, tax credits and other financial incentives. The expiration, elimination or reduction of these rebates, credits and incentives would adversely impact our business.

U.S. federal, state and local government bodies provide incentives to end users, distributors, system integrators and manufacturers of renewable energy systems like ours to promote renewable energy electricity in the form of rebates, tax credits and other financial incentives such as system performance payments, payments for renewable energy credits associated with renewable energy generation and the exclusion of renewable energy systems from property tax assessments. We rely on these governmental rebates, tax credits and other financial incentives to incentivize customers to buy our HC-1 systems. However, these incentives may expire on a particular date, end when the allocated funding is exhausted or be reduced or terminated as solar energy adoption rates increase. These reductions or terminations often occur without warning.

The federal government currently offers an investment tax credit of qualified expenditures under Section 25D of the Internal Revenue Code, or the Federal ITC, for the installation of certain residential renewable energy systems, such as our HC-1 system. The credit will remain at 30% for projects that are placed in service by December 31, 2019, then decline to 26% for systems placed in service by December 21, 2020, and to 22% for systems placed in service by December 31, 2021. The credit is scheduled to expire effective January 1, 2022. This credit was previously scheduled to expire effective January 1, 2017, and there can be no assurances that it will be further extended, or if extended, that the amount of the tax credit will remain at the same levels.

Reductions in, eliminations of, or expirations of, governmental incentives could adversely impact our results of operations and ability to compete in our industry by increasing the overall cost of the HC-1 system to our customers, which would effectively reduce the size of our addressable market.

We rely on net metering and related policies to attract and incentivize customers to purchase our hydrogen energy systems.

Most states in the U.S. have a regulatory policy known as net energy metering, or net metering, available to customers. Net metering allows our customers to interconnect their hydrogen energy systems to the utility grid and offset their utility electricity purchases by receiving a bill credit at the utility's retail rate for energy generated by their solar energy system that is exported to the grid in excess of the electric load used by the customers. At the end of the billing period, the customer simply pays for the net energy used or receives a credit at the retail rate if more energy is produced than consumed. Utilities operating in states without a net metering policy may receive hydrogen electricity that is exported to the grid when there is no simultaneous energy demand by the customer without providing retail compensation to the customer for this generation.

Our ability to sell our hydrogen energy systems and the electricity they generate may be adversely impacted by the failure to expand existing limits on the amount of net metering in states that have implemented it, the failure to adopt a net metering policy where it currently is not in place, the imposition of new charges that only or disproportionately impact customers that utilize net metering or reductions in the amount or value of credit that customers receive through net metering. Our ability to sell our HC-1 systems and our customers' ability to sell the electricity they generate may also be adversely impacted by the unavailability of expedited or simplified interconnection for grid-tied hydrogen energy systems or any limitation on the number of customer interconnections or amount of hydrogen energy that utilities are required to allow in their service territory or some part of the grid. For example, in October 2015, the Hawaii Public Utilities Commission capped the state's net metering program at existing levels, and in late-December 2015, the Nevada Public Utilities Commission effectively capped the state's net metering program at existing levels and imposed additional monthly charges on customers who interconnect their renewable energy systems. In addition, utilities in some states, such as Arizona, have proposed imposing additional monthly charges on customers who interconnect renewable energy systems installed on their homes. If such charges are imposed, the cost savings associated with switching to hydrogen energy may be significantly reduced and our ability to attract future customers could be impacted.

Existing electric utility industry regulations, and changes to regulations, may present technical, regulatory and economic barriers to the purchase and use of hydrogen energy systems that may reduce demand for our hydrogen energy systems.

Federal, state and local government regulations and policies concerning the electric utility industry, utility rate structures, interconnection procedures, internal policies and regulations promulgated by electric utilities, heavily influence the market for electricity generation products and services. These regulations and policies often relate to electricity pricing and the interconnection of customer-owned electricity generation. In the United States, governments and utilities continuously modify these regulations and policies. These regulations and policies could deter potential customers from purchasing renewable energy, including our HC-1 systems. This could result in a reduction in potential demand for our hydrogen energy systems. In addition, depending on the region, electricity generated by our HC-1 systems would compete most effectively with higher priced peak-hour electricity from the electric grid, rather than the lower average price of electricity. Modifications to the utilities' peak-hour pricing policies or rate design, such as a flat rate, would require us to lower the price of our hydrogen energy systems to compete with the price of electricity from the electric grid.

Future changes to government or internal utility regulations and policies that favor electric utilities could also reduce our competitiveness, cause a significant reduction in demand for our products and services, and threaten the economics of our existing energy contracts. For example, in October 2015, the Hawaii Public Utilities Commission capped the state's net metering program at existing levels and net metering no longer is available to new customers. In late-December 2015, the Nevada Public Utilities Commission also effectively capped the state's net metering program at existing levels and net metering no longer is available to new customers. In addition, Nevada's new rules include significant additional monthly charges on customers who interconnect their solar energy systems, significant reduction in the amount of bill credit for energy generated by their solar energy system that is exported to the grid in excess of electric load used by customers, and application of the new rules to existing customers with solar energy systems.

Project development or construction activities may not be successful and proposed projects may not receive required permits or construction may not proceed as planned.

The development and construction of our proposed projects will involve various risks. Success in developing a particular project is contingent upon, among other things: (i) negotiation of satisfactory engineering, procurement and construction agreements; (ii) receipt of required governmental permits and approvals, including the right to interconnect to the electric grid on economically acceptable terms; (iii) payment of interconnection and other deposits (some of which may be non-refundable); and (iv) timely implementation and satisfactory completion of construction.

Successful completion of a particular project may be adversely affected by numerous factors, including: (i) delays in obtaining required governmental permits and approvals with acceptable conditions; (ii) unforeseen engineering problems; (iii) construction delays and contractor performance shortfalls; (iv) work stoppages; (v) cost over-runs; (vi) equipment and materials supply; (vii) adverse weather conditions; and (viii) environmental and geological conditions.

The hydrogen energy industry competes with both conventional power industries and other renewable power industries.

The hydrogen energy industry faces intense competition from companies in the energy industry, such as nuclear, natural gas and fossil fuels as well as other renewable energy providers, including solar, biomass and wind. Other energy sources may benefit from innovations that reduce costs, increase safety or otherwise improve their competitiveness. New natural resources may be discovered, or global economic, business or political developments may disproportionately benefit conventional energy sources. Governments may support certain renewable energy sources and not support hydrogen energy. If we cannot compete with the providers of other energy sources, it may materially and adversely affect our business, results of operations and financial condition.

To execute our overall business strategy, we will likely require additional working capital, which may not be available on terms favorable to us or at all. If additional capital is not available or is available at unattractive terms, we may be forced to delay, reduce the scope of or eliminate our operations.

We have an ambitious business plan for strong growth of our business, which will likely require us to raise additional financing to supplement our cash flows from operations to fully execute. We intend to use proceeds from our recent private placement to implement our business strategy. We believe that since we are now a public company, we will have a greater potential ability to issue stock in lieu of cash, including for acquisitions and employee retention.

We expect that we will require additional financing to execute our business strategy. To the extent we raise additional capital through the sale of equity securities, the issuance of those securities could result in dilution to our shareholders. In addition, if we obtain debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. If adequate funds are not available, we may be required to reduce our marketing and sales efforts or reduce or curtail our operations.

There can be no assurance that if we were to need additional funds to meet obligations we have incurred, or may incur in the future, that additional financing arrangements would be available in amounts or on terms acceptable to us, if at all. Furthermore, if adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate material parts of the implementation of our business strategy.

We face strong competition from other energy companies, including traditional and renewable providers.

Although we offer a unique solution, the energy provider business is competitive. Our competitors range in size from small companies to large multinational corporations. Our main competitors vary by region and energy services offered. We compete against other renewable energy providers that offer solar and wind, as well as traditional electricity providers. Almost all of our competitors have greater financial and other resources than we do and may be able to grow more quickly or better respond to changing business and economic conditions. Many of our competitors also have greater access to capital and we may not be able to compete successfully with them.

Our lack of diversification will increase the risk of an investment in us, and our financial condition and results of operations may deteriorate if we fail to diversify.

Our current business focuses primarily on one area of the renewable energy space, the hydrogen energy sector. Larger companies have the ability to manage their risk by diversification. However, we currently lack diversification, specifically in terms of the nature of our business. As a result, we will likely be impacted more acutely by factors affecting our industry and sector in which we operate, than we would if our business were more diversified, enhancing our risk profile.

If we fail to successfully introduce new products or services, we may lose market position.

New products, product improvements, line extensions or new services will be an important factor in our sales growth. If we fail to identify emerging technological trends, to maintain and improve the competitiveness of our existing products and services or to successfully introduce new products or services on a timely basis, we may lose market position.

The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which would make profitability even more difficult to sustain.

Other than the technical skills required in our business, the barriers to entry in our business are relatively low. We do not have any intellectual property rights to protect our business methods and business start-up costs do not pose a significant barrier to entry. The success of our business is dependent on our employees, customer relations and the successful performance of our services. If we face increased competition as a result of new entrants in our markets, we could experience reduced operating margins and loss of market share and brand recognition.

Our failure to attract and retain engineering personnel or maintain appropriate staffing levels could adversely affect our business.

Our success depends upon our attracting and retaining skilled engineering personnel. Competition for such skilled personnel in our industry is high and at times can be extremely intense, especially for engineers and project managers, and we cannot be certain that we will be able to hire sufficiently qualified personnel in adequate numbers to meet the demand for our services. We also believe that our success depends to a significant extent on the ability of our key personnel to operate effectively, both individually and as a group. Additionally, we cannot be certain that we will be able to hire the requisite number of experienced and skilled personnel when necessary in order to service the number of contracts we may have at a particular time, particularly if the market for related personnel is competitive. Conversely, if we maintain or increase our staffing levels in anticipation of one or more projects and the projects are delayed, reduced or terminated, we may underutilize the additional personnel, which could reduce our operating margins, reduce our earnings and possibly harm our results of operations. If we are unable to obtain a sufficient number of contracts or effectively complete such contracts due to staffing deficiencies, our revenues may decline and we may experience continued losses.

Acquisitions involve risks that could result in a reduction of our operating results, cash flows and liquidity.

We have made two acquisitions since January 1, 2017 and currently intend to grow our business substantially by making additional strategic acquisitions, although we currently have no agreements to do so. However, we may not be able to identify suitable acquisition opportunities, or may be unable to complete such acquisitions. We may pay for acquisitions with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions that investors may not agree with. In connection with our acquisitions, we may also agree to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired business' operations and financial reporting and accounting control systems into our business;
- increased indebtedness and contingent purchase price obligations associated with an acquisition;
- the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties;
- the availability of funding sufficient to meet increased capital needs;
- diversion of management's attention; and
- the ability to retain or hire qualified personnel required for expanded operations.

Completing acquisitions may require significant management time and financial resources because we may need to assimilate widely dispersed operations with distinct corporate cultures. In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible securities associated with these acquisitions may also result in higher levels of indebtedness.

Liability claims could have a material adverse effect on our operating results.

We face an inherent business risk of exposure to liability claims arising from the alleged failure of our services, including the individual components in our systems. Any material uninsured losses due to liability claims that we experience could subject us to material losses. We could be required to redesign our services if they prove to be defective. We maintain insurance against liability claims, but it is possible that our insurance coverage will not continue to be available on terms acceptable to us or that such coverage will not be adequate for liabilities actually incurred. A successful claim brought against us in excess of available insurance coverage, or any claim that results in significant expense or adverse publicity against us, could have a material adverse effect on our business, operating results and financial condition.

We are dependent upon key personnel whose loss may adversely impact our business.

We rely heavily on the expertise, experience and continued services of our founders, especially Andrew Hidalgo, our Chief Executive Officer, President and Chairman of the Board, Mike Strizki, our Chief Technology Officer and the developer of the hydrogen house concept and James Strizki, our Executive Vice President of Technical Services. We currently only have employment agreements with Andrew Hidalgo and Matthew Hidalgo, and any of our other executive officers are not restricted from leaving or competing against us. The loss of either of these individuals, or an inability to attract or retain other key individuals, could materially adversely affect us. We seek to compensate and motivate these individuals, as well as other personnel, through competitive cash and equity compensation, but there can be no assurance that these programs will allow us to retain key personnel or hire new key personnel. As a result, if any member of our key personnel were to leave, we could face substantial difficulty in hiring a qualified successor and could experience a loss in productivity while any such successor obtains the necessary training and experience.

Our resources may not be sufficient to manage our expected growth; failure to properly manage our potential growth would be detrimental to our business.

We may fail to adequately manage our anticipated future growth. Any growth in our operations could place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

If we are unable to manage growth effectively, such as if our sales and marketing efforts exceed our capacity to perform our services and maintain our products or if new employees are unable to achieve performance levels, our business, operating results and financial condition could be materially adversely affected. As with all expanding businesses, the potential exists that growth will occur rapidly. If we are unable to effectively manage this growth, our business and operating results could be negatively impacted. Anticipated growth in future operations may place a significant strain on management systems and resources. In addition, the integration of new personnel will continue to result in some disruption to ongoing operations. The ability to effectively manage growth in a rapidly evolving market requires effective planning and management processes. We will need to continue to improve operational, financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force. Our success depends in part on our maintaining high quality customer service and any failure to do so could adversely affect our business, financial condition or results of operations.

Failure to properly manage projects may result in unanticipated costs or claims.

Our project engagements may involve large scale, highly complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, in a timely manner. Any defects or errors or failure to meet customers' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our customers. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event of litigation.

We are subject to operating and litigation risks that may not be covered by insurance.

Our business operations are subject to all of the operating hazards and risks normally incidental to the implementation of systems involving combustible products, such as liquefied petroleum gases, propane, natural gas and hydrogen gas, and the generation of electricity. Accidents involving our hydrogen energy systems, including leaks, ruptures, fires, explosions, sabotage and mechanical problems, could result in substantial losses due to personal injury and/or loss of life, and severe damage to and destruction of property and equipment arising from explosions and other catastrophic events. If such accidents were to occur, we could face lawsuits from our clients alleging that we were responsible for such accidents. There can be no assurance that our insurance will be adequate to protect us from all material expenses related to future claims or that such levels of insurance will be available in the future at economical prices.

An impairment in the carrying value of goodwill or other intangible and long-lived assets could negatively affect our operating results and equity.

As of December 31, 2018, we had $1,373,621 of goodwill and indefinite-lived intangible assets. Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Intangibles—Goodwill and other* ("ASC 350") requires that we test these assets for impairment annually (or more frequently should indications of impairment arise) by first assessing qualitative factors and then by quantitatively estimating the fair value of each of our reporting units (calculated using a discounted cash flow method) and comparing that value to the reporting units' carrying value, if necessary. If the carrying value exceeds the fair value, there is a potential impairment and additional testing must be performed. In performing our annual tests and determining whether indications of impairment exist, we consider numerous factors including actual and projected operating results of each reporting unit, external market factors such as market prices for similar assets and trends within our industry. We performed an annual assessment, at December 31, 2018, of the recoverability of our goodwill and indefinite-lived intangibles, noting no instances of impairment. However, future events may occur that could adversely affect the estimated fair value of our reporting units. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions and the impact of the economic environment on our operating results. Failure to achieve sufficient levels of cash flow at our reporting units could also result in impairment charges on goodwill. If the value of the acquired goodwill is impaired, our operating results and shareholders' equity could be adversely affected.

We also had $83,645 of definite-lived intangible assets as of December 31, 2018. FASB ASC Topic 360-10-35, ("ASC 360-10-35") requires companies to review these assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. No such events or circumstances were identified during the year ended December 31, 2018. If similar events occur as enumerated above such that we believe indicators of impairment are present, we would test for recoverability by comparing the carrying value of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount, we would perform the next step, which is to determine the fair value of the asset, which could result in an impairment charge. Any impairment charge recorded could negatively affect our operating results and shareholders' equity.

Risks Related to Our Common Stock

Our officers, directors and principal shareholders will own a controlling interest in our voting stock and investors will not have any voice in our management.

As of March 25, 2019, our officers, directors and principal shareholders, in the aggregate, beneficially own or control the votes of approximately 93.9% of our outstanding common stock. As a result, these stockholders, acting together, will have the ability to control substantially all matters submitted to our stockholders for approval, including:

- election of our board of directors;
- removal of any of our directors;
- amendment of our articles of incorporation or bylaws; and
- adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination involving us.

As a result of their ownership and positions, our directors, executive officers and principal shareholders collectively are able to influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our directors, executive officers or principal shareholders, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

We have not paid cash dividends in the past and do not expect to pay cash dividends in the future. Any return on investment may be limited to the value of our common stock .

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant.

We may raise capital through the sale of our securities in either private placements or a public offering, which offerings would dilute the ownership of investors in this private offering.

If our operations require additional capital in the future, we may sell additional share of our common stock and/or securities convertible into or exchangeable or exercisable for shares of our common stock. Such offerings may be in private placements or a public offering. If we conduct such additional offerings, an investor would experience dilution of his ownership of the Company.

You may experience dilution of your ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock.

In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We are authorized to issue an aggregate of 25,000,000 shares of common stock and 5,000,000 shares of "blank check" preferred stock. In addition, we have reserved 2,500,000 shares of common stock for issuance under our 2016 stock option incentive plan, of which 1,155,000 million options have been issued, 200,000 have been exercised and there are 481,250 currently exercisable. The options were issued at various prices. We may issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our common stock may create downward pressure on the trading price of the common stock. We will likely need to raise additional capital in the near future to meet our working capital needs, and there can be no assurance that we will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with these capital raising efforts, including at a price (or exercise or conversion prices) that could be below the price an investor paid for stock.

There has been a limited trading market for our common stock and limited market activity to date.

Currently, our common stock is available for quotation on the OTCQB Market under the symbol "HCCC." However, our stock only became eligible for quotation in November 2017 and prior to February 2017, there was no trading activity in our common stock and there has been limited trading activity to date. It is anticipated that there will remain a limited trading market for the common stock on the OTCQB. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies by using common stock as consideration.

You may have difficulty trading and obtaining quotations for our common stock.

Our common stock is not actively traded, and the bid and asked prices for our common stock on the OTCQB Market may fluctuate widely. As a result, investors may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. This severely limits the liquidity of the common stock, and would likely reduce the market price of our common stock and hamper our ability to raise additional capital.

Our common stock is not currently traded at high volume, and you may be unable to sell at or near ask prices or at all if you need to sell or liquidate a substantial number of shares at one time.

Our common stock is currently traded, but with very low if any, volume, based on quotations on the OTCQB Market, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. During the year ended December 31, 2018, there was an average of approximately 161 shares traded per trading day, with no trading on 214 of 251 trading days. This situation is attributable to a number of factors, including the fact that we are a small company which is still relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that trading levels will be sustained.

Shareholders should be aware that, according to Commission Release No. 34-29093, the market for "penny stocks" has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the future volatility of our share price.

The market price of our common stock may, and is likely to continue to be, highly volatile and subject to wide fluctuations.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with future capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships or acquisitions of other companies;

- quarterly variations in our revenues and operating expenses;

- changes in the valuation of similarly situated companies, both in our industry and in other industries;

- changes in analysts' estimates affecting our company, our competitors and/or our industry;
- changes in the accounting methods used in or otherwise affecting our industry;
- additions and departures of key personnel;
- announcements of technological innovations or new technologies or services available to the renewable energy industry;
- fluctuations in interest rates and the availability of capital in the capital markets; and
- significant sales of our common stock.

These and other factors are largely beyond our control, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our Common Stock and/or our results of operations and financial condition.

The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.

Our articles of incorporation give our board of directors the right to create new series of preferred stock. As a result, the board of directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our common stock. Although we have no present intention to issue any shares of preferred stock or to create a series of preferred stock, we may issue such shares in the future.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

If our stockholders sell substantial amounts of our common stock in the public market, including upon the expiration of any lockup periods or the statutory holding period under Rule 144, or issued upon the conversion of preferred stock, it could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

If we fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to accounting controls and procedures, or if we discover material weaknesses and deficiencies in our internal control and accounting procedures, our stock price could decline significantly and raising capital could be more difficult.

If we fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to disclosure controls and procedures, or, if we discover material weaknesses and other deficiencies in our internal control and accounting procedures, our stock price could decline significantly and raising capital could be more difficult. Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. If material weaknesses or significant deficiencies are discovered or if we otherwise fail to achieve and maintain the adequacy of our internal control, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly.

Our common stock is subject to the "Penny Stock" rules of the SEC and the trading market in our securities will be limited, which makes transactions in our common stock cumbersome and may reduce the value of an investment in our common stock.

Rule 15g-9 under the Exchange Act establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (a) that a broker or dealer approve a person's account for transactions in penny stocks; and (b) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination; and (b) confirms that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our common stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker or dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

ITEM 1B – UNRESOLVED STAFF COMMENTS

Not required under Regulation S-K for "smaller reporting companies."

ITEM 2 – PROPERTIES

We maintain our principal office at 3010 LBJ Freeway, Suite 1200, Dallas, TX 75234. Our telephone number at that office is (972) 888-6009. Our office is in a shared office space provider, for which we entered into a one-year lease in January 2019 at a cost of $120 per month. Our Pride main office is located at 1/36 Kerryl Street Kunda Park, Queensland Australia at a cost of $2,640 and our PVBJ office located at 141 Robbins Road Suite 100 Downingtown, PA United States at a cost of $1,390 a month.

We believe that our existing facilities are suitable and adequate to meet our current business requirements. We maintain various websites and the information contained on those websites is not deemed to be a part of this annual report.

ITEM 3 - LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock has been available for quotation on the OTCQB Markets under the symbol "HCCC" since November 21, 2017. The price range during the year ended December 31, 2018, was a low of $0.51 per share and a high of $3.25 per share.

On March 25, 2019, the closing sale price of our common stock, as reported by the OTC Markets, was $0.67 per share. On March 25, 2019, there were 49 holders of record of our common stock. Because certain of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

Equity Compensation Information

The following table summarizes information about our equity compensation plans as of December 31, 2018.

Plan Category	Number of Shares of Common Stock to be Issued upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options	Number of Options Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)
Equity compensation plans approved by stockholders	955,000	0.29	1,545,000
Equity compensation plans not approved by stockholders	—	—	—
Total	955,000	0.29	1,545,000

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any of our registered securities during the period covered by this Annual Report.

ITEM 6 – SELECTED FINANCIAL DATA

Not required under Regulation S-K for "smaller reporting companies."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our products, fluctuations in pricing for materials, and competition.

Business Overview

We were formed in August 2015 to expand upon the successful implementation of a hydrogen energy system used to completely power a residence or commercial property with clean energy so that it can run independent of the utility grid and also provide energy to the utility grid for monetary credits. This system uses renewable energy as its source for hydrogen production. It functions as a self-sustaining clean energy system using hydrogen and fuel cell technology. Its production of electricity is truly eco-friendly, as it is not produced by the use of fossil fuels. It is a revolutionary green-energy concept that is safe, renewable, self-sustaining and cost effective.

There are great benefits to hydrogen energy. The use of hydrogen as an energy source produces no carbon dioxide or other greenhouse gases. Unlike fossil fuels, the only emission from hydrogen is chemically pure water. Hydrogen can be extracted from water using renewable energy from the sun and unlike batteries, hydrogen can be stored indefinitely. There is no drilling, fracking or mining required to produce hydrogen. We believe it is safe and the most abundant and cleanest energy source on the planet. In addition to offering this self-sustaining clean energy system using hydrogen and fuel cell technology, we offer a number of renewable energy services, such as audits of energy consumption, review of energy/tax credits available, feasibility studies, solar/battery system installation, zoning/permitting analysis, site design/preparation and restoration, system startup, testing, commissioning, maintenance and interconnection applications.

We have succeeded in developing and installing hydrogen energy systems that are combined with renewable solar energy to produce clean electricity. We call the hydrogen energy system the HC-1. The HC-1 system functions as a self-sustaining renewable energy system. It can be configured as an off grid solution for all your electricity needs or it can be connected to the grid to generate energy credits. It is a system comprised of solar, batteries, a hydrogen generator, a fuel cell and a hydrogen storage tank.

When there is sunlight, the solar produce renewable energy that charges a bank of batteries. After the batteries are fully charged, the excess electricity is then combined with water through a hydrogen generator that extracts the hydrogen from the water in a gasified state, which is safely transferred to a tank and stored for later use. If the tank is full, excess electricity is sent from the batteries to the utility grid, which results in energy credits for the system owner. The electricity for the end user is always provided by the charged batteries. If there is no solar power to charge the batteries, the system keeps the batteries fully charged by using the hydrogen gas stored in the tank, which processed through a fuel cell, creates the electricity to charge the batteries. As the system is able to produce its own hydrogen gas, which keeps the tank full, it provides a continuous supply of clean energy and sustainability that is independent from the grid. Each HC-1 system is custom designed to accommodate the electrical loads for an end user. The system is completely scalable.

If a customer wishes to connect the system to the electrical grid in order to generate renewable energy credits, we obtain interconnection agreements from the local electric utility company. If the customer obtains authorization for interconnection to the utility grid, once the HC-1 system is operational, the HC-1 system owner can eliminate their electric bill and, if in a permissible state, can begin generating energy credits. In certain states, an end user receives one energy credit for each 1,000 kilowatt hours (kWh) produced through renewal energy. The customer sells these credits to a broker, who in turn sells the credits to a utility company so that the utility company can demonstrate their compliance with the regulatory obligations to reduce greenhouse gas emissions. The price per credit can vary depending on supply and demand. Many other states that may not offer an energy credit program, do offer other cash incentives for renewable energy systems.

On January 31, 2017, we acquired The Pride Group (QLD) Pty Ltd, an Australian company ("Pride"). Founded in 1997, Pride is a provider of security systems integration for a variety of customers in the government and commercial sector and has launched a new clean energy division to focus on the high growth renewable energy market in Asia-Pacific. On February 1, 2018, we acquired PVBJ Inc. ("PVBJ"). Established in 2008, PVBJ is a regionally recognized company that specializes in HVAC and refrigeration for commercial and residential customers. The services offered include design, installation, repair, maintenance and emergency services for environmental systems. PVBJ has a highly trained technical team that is experienced in all aspects of environmental systems. PVBJ covers the U.S. Mid-Atlantic market. PVBJ is also establishing a clean energy division so that it can offer hydrogen energy systems to its existing customer base.

Current Operating Trends

Currently, a number of technicians are licensed to install our HC-1 systems in the Mid-Atlantic region of the U.S. and Australia. In addition to recently establishing a clean energy division, Pride is a highly regarded and established company that designs, installs and maintains a variety of technology products in the security systems market. Pride also provides annual maintenance programs which amount to approximately AUD $2 million per annum. Pride currently generates approximately half of its revenue from government contracts and the other half from the commercial sector. Pride is a certified and licensed security systems integrator for the Queensland Government and has various government contracts in place for installation, maintenance and project services.

PVBJ is well recognized for the design, installation, maintenance and emergency service of environmental systems both in residential and commercial markets. The subsidiary has a team of technicians that can install and service a variety of HVAC and refrigeration products. PVBJ is certified and licensed in multiple states and has developed an extensive customer base. PVBJ is now expanding into clean energy systems and employs technicians that are familiar with installing environmental systems requiring electrical, plumbing and gases, which is similar to the installation of an HC-1 system.

We intend to aggressively grow our business, both organically and through strategic acquisitions. Our goal is to acquire companies with the licenses and certifications to operate in various states and countries. This will allow us to expand the geographic areas in which we can install our systems. These acquired companies will also provide us with a consistent revenue stream, a customer base for marketing our systems and technicians that can be trained to install our products and services. Initially, we intend to focus on states or countries whose government supports a regulatory standard requiring its utility companies to increase their production of electricity from renewable energy sources. This overall approach is more cost effective than the protracted nature of opening an office, hiring staff and obtaining certifications to operate in a specific geographic area. As of the date of this annual report, we have no written agreements or understandings to acquire any companies and no assurances can be given that we will identify or successfully acquire any other companies.

Results of Operations

For the years ended December 31, 2018 and 2017

Revenue and Cost of Revenue

For the year ended December 31, 2018, we had $7,546,437 of revenue and $5,532,983 of cost of revenue, of which $40,548 and $40,376, respectively, was related party. Revenues increased from 2017 to 2018 due to the acquisition of PVBJ in February of 2018. For the year ended December 31, 2017, we had $6,352,886 of revenue and $4,329,070 of cost of revenue, of which $85,919 and $87,649, respectively, was related party. Pride revenues for year ended December 31, 2018 were $5,073,533, down from $6,266,967 for year ended December 31, 2017. This was due in large part to two larger contract jobs that Pride completed in 2017 year that were in excess of one million dollars.

	For the Year Ended	
	December 31, 2018	December 31, 2017
Revenue by segment		
Renewable systems integration – related party	$ 40,548	$ 85,919
Non-renewable system integration	7,505,889	6,266,967
	$ 7,546,437	$ 6,352,886

General and Administrative Expenses

During the year ended December 31, 2018, our general and administrative expenses were $2,446,860. $565,700 was related to the Renewable Systems Integration segment, including corporate expenses comprised of $150,000 of gross payroll, $87,560 of accounting fees related to audit, consulting and tax costs, $78,000 in management disbursements, $68,293 of stock-based compensation, $63,050 of legal fees, $30,343 of dues and subscription fees, which pertained to transfer agent, press release, EDGAR fees and OTC Market annual listing fees, $18,063 of directors and officers insurance liability, $16,877 of amortization, $12,545 of investor relations, $12,221 of travel, $10,168 of payroll taxes, and $18,580 of miscellaneous expenses.

The Non-renewable Systems Integration segment incurred general and administrative expenses during the year ended December 31, 2018 of $1,881,160, including management and administrative salaries of $827,406 along with $434,697 of other various employee expenses, such as vacation, sick time, workcover and payroll processing. In addition, facilities lease for the Pride and PVBJ offices totaled $98,593 and auto allowance totaled $61,869. Insurance expense was $178,567, which related to liability and health. Other expenses included $62,646 of professional and legal fees, including fees related to the acquisition of PVBJ, $52,950 of telecommunications, $26,012 of general office expenses, $24,155 in computer services, $23,451 of 401(k) contribution, $9,218 of meals and entertainment, $8,278 of donations and contributions, $6,814 in bank service charges, $4,502 of advertising and $62,002 of miscellaneous expenses.

During the year ended December 31, 2017, our general and administrative expenses were $1,960,863. $261,118 was related to the Renewable Systems Integration segment, including corporate expenses comprised of $94,643 of accounting fees related to audit, consulting and Pride acquisition costs, $60,689 of legal fees, $51,625 of stock-based compensation, $24,525 of dues and subscription fees, which pertained to transfer agent, EDGAR fees and OTC Market annual listing fees, $10,404 of directors and officers insurance liability, $9,097 of travel, and $10,135 of miscellaneous expenses.

The Non-renewable Systems Integration segment incurred general and administrative expenses during the year ended December 31, 2017 of $1,699,745 including management and administrative salaries of $611,178 along with $376,628 of other various employee expenses, such as vacation and sick time, and management fees of $184,004. In addition, automobile expenses totaled $181,233, which included repairs, fuel and auto allowance. Facilities lease for the Pride offices totaled $91,111. Consulting/dues and subscription fees were $4,000 which pertained to miscellaneous business subscriptions and renewals. Professional fees of $13,827 consisted of legal and accounting fees incurred for tax and human resources advice. Other expenses included $66,255 of insurance, $28,529 of telecommunications, $27,176 of computer expenses and $19,362 of utilities and safety expenses. We also incurred $31,985 of depreciation, $24,311 of bad debt expense, $7,295 of interest expense, $2,041 of travel and entertainment, and $30,810 of other miscellaneous fees.

We incurred $16,257 of income tax provision and other expenses totaling $104,347 for the year ended December 31, 2018, including $79,622 of interest expense – related party, $26,584 of interest expense and $15,418 change in fair value earn-out, offset by $17,277 of gain on fixed asset disposal.

We incurred $54,056 of income tax provision for the year ended December 31, 2017 and incurred no other expenses.

As a result of the foregoing, we had a net loss of $554,010 for the year ended December 31, 2018, compared to net income of $8,897 for the year ended December 31, 2017.

Liquidity and Capital Resources

As of December 31, 2018, we had working capital of $18,098, comprised of $1,087,381 of accounts receivables, $359,134 of cash, $45,478 of costs in excess of billings and $16,282 of prepaid expenses. This was offset by $891,354 of accounts payables and accrued expenses, $195,331 of billings in excess of cost, $190,736 of earn out payable, $65,265 of current capital leases payable $59,857 of sales and withholding tax payable, $38,991 of current equipment notes payable and $48,643 of income tax payable, which made up current liabilities at December 31, 2018.

For the year ended December 31, 2018, we used $364,646 of cash in operating activities, which represented our net loss of $554,010, $194,105 of depreciation and amortization, $114,656 of billings in excess of cost, $68,293 of stock-based compensation, $28,261 of changes in accounts payable, $5,743 change in deferred tax asset, $15,418 on change in fair value contingent consideration $2,018 of prepaid expenses, $1,067 of costs in excess of billings, and $616 of bad debt expense, offset by $219,501 of changes in accounts receivables, and $17,276 of gain on the sale of assets.

For the year ended December 31, 2018, we had $24,755 of cash, provided by investing activities relating to the purchase of fixed assets of $46,690 and security deposits of $26,922, offset by $30,408 of cash acquired in business acquisition and $67,959 of proceeds from the disposition of property and equipment.

For the year ended December 31, 2018, we had $276,443 of cash provided by financing activities, which represented $395,000 of proceeds from the issuance of convertible debt, $27,175 of net proceeds from a line of credit and $1,000 from the exercise of stock options, offset by $51,048 in repayments on capital leases, $47,684 of repayments of notes payable and $48,000 in payments of related party interest.

For the year ended December 31, 2017, we used $69,898 of cash in operating activities, which represented our net income of $8,897, $5,128 of changes in accounts payable, $51,625 of stock-based compensation, $44,257 of increased deferred tax assets, $40,373 of costs in excess of billings, $32,585 of depreciation and amortization, $3,668 of billings in excess of cost, $420 of prepaid expenses and $77 gain on fixed asset sales, offset by $157,164 of changes in accounts receivables.

For the year ended December 31, 2017, we used $24,974 in investing activities relating to the purchase of fixed assets of $36,943, offset by $11,969 of proceeds from the disposition of property and equipment.

For the year ended December 31, 2017, we received $1,000 from financing activities, which represented proceeds from the exercise of stock options.

In the future we expect to incur expenses related to compliance for being a public company and travel related to visiting potential customer sites. We expect that our general and administrative expenses will increase as we expand our business development, add infrastructure and incur additional costs related to being a public company, including incremental audit fees, investor relations programs and increased professional services.

Our future capital requirements will depend on a number of factors, including the progress of our sales and marketing of our services, the timing and outcome of potential acquisitions, the costs involved in operating as a public reporting company, the status of competitive services, the availability of financing and our success in developing markets for our services. When we enter into contacts with customers, they will be required to make payments in tranches, including a payment after a contract is executed but prior to commencement of the project. We believe our existing cash, together with revenue generated by operations, will be sufficient to fund our operating expenses and capital equipment requirements for at least the next 12 months.

Other than a line of credit from Thermo Communications Funding, LLC (“Thermo”) and an equity purchase agreement with the Investor discussed below, we presently do not have any available credit, bank financing or other external sources of liquidity. We did not achieve net income from operations for the year ended December 31, 2018 and our operations historically have not been a source of liquidity and we cannot be assured they will be in the near future. We may need to obtain additional capital in order to expand operations and fund our activities. Future financing may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. Even if we are able to raise the funds if required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we may be required to delay, reduce the scope of or eliminate our marketing and business development services.

Credit Facility

On August 21, 2018, PVBJ entered into a loan and security agreement (the “Credit Agreement”) with Thermo. The Credit Agreement provides for a revolving line of credit in an amount not to exceed $350,000, which is evidenced by a promissory note issued by PVBJ to Thermo (the “Note”). Pursuant to the Credit Agreement, PVBJ granted a security interest to Thermo in all of its assets. In addition, pursuant to a limited recourse guaranty, Andrew Hidalgo, our Chief Executive Officer, personally guaranteed the repayment of the Credit Agreement under certain conditions.

Pursuant to the terms of the Credit Agreement, we are permitted to borrow up to $350,000 under the revolving credit line, under a borrowing base equal to the lesser of (i) or 85% of Eligible Accounts (as defined in the Credit Agreement). Borrowings under the Credit Agreement may be used for working capital and to refinance certain existing debt of PVBJ. The Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants, and events of default. Principal covenants include a debt service coverage ratio of not less than 1.15 to 1.0, a fixed charge coverage ratio of not less than 1.15 to 1.0, and maintaining a tangible net worth of at least $150,000, excluding intercompany loans. As of December 2018, we were in compliance with these covenants.

The loan commitment shall expire on August 21, 2020. The interest rate applicable to revolving loans under the Credit Agreement is prime plus 5.0%, subject to a minimum interest rate of 9.5%. We paid a loan commitment fee of $7,000, of which $3,500 was paid on closing, and $3,500 will be paid on the first anniversary. We will also pay a monthly monitoring fee during the term of the Credit Agreement of 0.33% of the average outstanding balance, payable monthly in arrears.

We may prepay the Note at any time and terminate the Credit Agreement. In the event that we terminate the Credit Agreement, we will pay Thermo an early termination fee equal to 4% of the pro rata portion, which pro rata portion is determined by multiplying $350,000 by the number of months prior to the second anniversary of the effective date of the Credit Agreement and then dividing that by 24.

The obligations of PVBJ under the Credit Agreement may be accelerated upon the occurrence of an event of default under the Credit Agreement, which includes customary events of default including, without limitation, payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, cross-defaults, bankruptcy and insolvency related defaults, defaults relating to judgments, an ERISA reportable event occurs, a change of control and a change in our financial condition that could have a material adverse effect on us.

As of March 25, 2019, we had outstanding borrowings of $149,248 under the Credit Agreement, and the interest rate was 9.5%.

Equity Purchase Agreement

On March 12, 2019, we entered into an equity purchase agreement (the “Purchase Agreement”) and a registration rights agreement (the “Registration Rights Agreement”) with an accredited investor (the “Investor”), pursuant to which the Investor has agreed to purchase from us up to $450,000 in shares (the “Shares”) of our common stock, subject to certain limitations and conditions set forth in the Purchase Agreement.

Under the Purchase Agreement, the Investor has the right, at any time, to purchase Shares by delivering us a purchase notice, specifying the number of Shares to be purchased. The purchase price for the Shares under the Purchase Agreement will be 60% of the lowest closing price of our common stock in the five consecutive trading days preceding the Investor’s receipt of the Shares subject to such equity purchase.

In addition, the Investor has an obligation, to the extent it has not already made voluntary purchases, to purchase up to (i) $200,000 in Shares within 16 Trading Days (as defined in the Purchase Agreement) after the effective date of the Registration Statement (as defined below) and (ii) $450,000 in Shares within 70 Trading Days after the effective date of the Registration Statement.

We have the right to reject any purchase notice from the Investor by delivering written notice of such rejection within one trading day after receipt. If we reject any purchase notice, the Investor has no further obligations to purchase Shares under the Purchase Agreement. We may terminate the Purchase Agreement at any time by written notice to the Investor in the event of a material breach of the Purchase Agreement by the Investor. In addition, the Purchase Agreement will automatically terminate on the earliest of: (i) the date that the Investor has purchased $450,000 of Shares; (ii) 70 Trading Days after the effective date of the Registration Statement; or (iii) the date the Registration Statement is no longer effective.

The obligation of the Investor to purchase the Shares is subject to several conditions, including, among other thing, (i) that we have an effective registration statement with the SEC registering the Shares for resale, and (ii) that the purchase of the Shares shall not cause the Investor to own more than 9.99% of the outstanding shares of common stock. In connection with the Purchase Agreement, we agreed to pay $15,000 of fees to the Investor, of which $10,000 was paid on execution of the Purchase Agreement, and the remaining $5,000 will be paid on the first sale of Shares.

Pursuant to the Registration Rights Agreement, we are required to register the Shares on a registration statement (the “Registration Statement”) to be filed with the SEC within 15 calendar days after we file this Annual Report.

Additionally, on March 12, 2019, we agreed to donate 35,000 shares of common stock to the manager of the Investor.

2019 Convertible Debenture Financing

On February 8, 2019, we entered into a securities purchase agreement (the “2019 Purchase Agreement”) with two of our directors, pursuant to which we sold an aggregate principal amount of $150,000 in 10% Convertible Debentures (the “2019 Debentures”), convertible into shares of our common stock at a conversion price of $0.50 per share.

The 2019 Debentures, together with any accrued and unpaid interest, become due and payable on February 8, 2021 (the “2021 Maturity Date”). Interest on the 2019 Debentures accrues at the rate of 10% per annum, payable monthly in cash, beginning on March 1, 2019 and on the 2021 Maturity Date. The 2019 Debentures are convertible into common stock at a conversion price of $0.50 per share at the discretion of the holder, with special provisions applying to any holder whose conversion would result in the holder beneficially owning more than 4.99% of our common stock.

2018 Convertible Debenture Financing

On January 2, 2018, we entered into a securities purchase agreement (the "2018 Purchase Agreement") with two of our directors, pursuant to which we sold an aggregate principal amount of $400,000 in 12% Convertible Debentures (the "2018 Debentures"), convertible into shares of our common stock at a conversion price of $0.75 per share.

The 2018 Debentures, together with any accrued and unpaid interest, become due and payable on January 2, 2020 (the "2020 Maturity Date"). Interest on the 2018 Debentures accrues at the rate of 12% per annum, payable monthly in cash, beginning on February 1, 2018 and on the 2020 Maturity Date. The 2018 Debentures are convertible into common stock at a conversion price of $0.75 per share at the discretion of the holder, with special provisions applying to any holder whose conversion would result in the holder beneficially owning more than 4.99% of our common stock.

On February 8, 2019, we entered into amendments (the "Amendments") with the holders of the 2018 Debentures. Pursuant to the Amendments, the conversion price of the 2018 Debentures was reduced from $0.75 to $0.50, and the interest rate on the 2018 Debentures was reduced from 12% to 10%.

Critical Accounting Policies

Please refer to Note 2 in the accompanying financial statements for our policies.

Recent Accounting Pronouncements

Please refer to Note 17 in the accompanying financial statements.

Management does not believe there would have been a material effect on the accompanying financial statements had any other recently issued, but not yet effective, accounting standards been adopted in the current period.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for "smaller reporting companies."

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

H/CELL ENERGY CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of H/Cell Energy Corporation

Opinion on the Financial Statements

We have audited the accompanying balance sheets of H/Cell Energy Corporation (the Company) as of December 31, 2018 and 2017, and the related statements of operations – other comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Rosenberg Rich Baker Berman, P.A.

We have served as the Company's auditor since 2015.

Somerset, New Jersey

March 26, 2019

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

H/CELL ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 359,134	$ 455,700
Accounts receivable (net retention)	1,087,381	808,050
Prepaid expenses	16,282	14,669
Costs and earnings in excess of billings	45,478	51,531
Total current assets	1,508,275	1,329,950
Property and equipment, net	476,436	102,573
Security deposits and other non-current assets	32,530	8,416
Deferred tax asset	50,000	44,257
Customer lists, net	83,645	-
Goodwill	1,373,621	-
Total assets	$ 3,524,507	$ 1,485,196
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 891,354	$ 631,385
Management fees payable – related party	-	31,257
Earn-out payable	190,736	-
Billings in excess of costs and earnings	195,331	87,206
Sales and withholding tax payable	59,857	61,239
Current equipment notes payable	38,991	-
Current capital lease payable	65,265	-
Income tax payable	48,643	98,313
Total current liabilities	1,490,177	909,400
Noncurrent liabilities		
Line of credit	28,359	-
Equipment note payable	121,038	-
Capital leases	232,876	-
Convertible note payable – related party, net of discount	29,122	-
Total noncurrent liabilities	411,395	-
Total liabilities	1,901,572	909,400
Commitments and contingencies		
Stockholders' equity		
Preferred stock - $0.0001 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock - $0.0001 par value; 25,000,000 shares authorized; 7,586,024 and 7,041,579 shares issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	758	704
Additional paid-in capital	2,983,476	1,335,656
Accumulated deficit	(1,285,764)	(731,754)
Accumulated other comprehensive loss	(75,535)	(28,810)
Total stockholders' equity	1,622,935	575,796
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 3,524,507	$ 1,485,196

The accompanying notes are an integral part of these consolidated financial statements.

H/CELL ENERGY CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS – OTHER COMPREHENSIVE INCOME

	For the Years Ended December 31,	
	2018	**2017**
Revenue		
Construction income	$ 7,505,889	$ 6,266,967
Related party	40,548	85,919
Total revenue	7,546,437	6,352,886
Cost of goods sold		
Direct costs	5,492,607	4,241,421
Direct costs – related party	40,376	87,649
Total cost of goods sold	5,532,983	4,329,070
Gross profit	2,013,454	2,023,816
Operating expenses		
General and administrative expenses	2,368,860	1,776,859
Management fees – related party	78,000	184,004
Total operating expenses	2,446,860	1,960,863
Income (loss) from operations	(433,406)	62,953
Other expenses		
Interest expense	26,584	-
Interest expense – related party	79,622	-
Change in fair value earn-out	15,418	-
Gain on fixed asset disposal	(17,277)	-
Total other expenses	104,347	-
Income tax provision	16,257	54,056
Net income (loss) before income taxes	$ (554,010)	$ 8,897
Other comprehensive income (loss), net		
Foreign currency translation adjustment	(46,725)	21,996
Comprehensive income (loss)	$ (600,735)	$ 30,893
Earnings (loss) per share		
Basic	$ (0.07)	$ 0.00
Diluted	$ (0.07)	$ 0.00
Weighted average common shares outstanding		
Basic	7,586,024	6,703,223
Diluted	7,586,024	7,699,743

The accompanying notes are an integral part of these consolidated financial statements.

H/CELL ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock		Preferred Stock				Accumulated	
	Number of Shares	Amount	Number of shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
Beginning, January 1, 2017	3,131,579	$ 313	-	$ -	1,283,422	$ (740,651)	$ (50,806)	$ 492,278
Issuance of common stock	3,800,000	380	-	-	(380)	-	-	-
Common stock issued for services	10,000	1	-	-	4 ,999	-	-	5,000
Stock-based compensation expense	-	-	-	-	46,625	-	-	46,625
Proceeds from stock option exercise	100,000	10	-	-	990	-	-	1,000
Net income	-	-	-	-	-	8,897	21,996	30,893
Ending, December 31, 2017	7,041,579	$ 704	-	$ -	1,335,656	$ (731,754)	$ (28,810)	$ 575,796
Issuance of common stock February 2018, PVBJ Acquisition	444,445	44	-	-	1,183,537	-	-	1,183,581
Stock option exercise	100,000	10	-	-	990	-	-	1,000
Stock-based compensation expense	-	-	-	-	68,293	-	-	68,293
Beneficial conversion feature	-	-	-	-	395,000	-	-	395,000
Net income	-	-	-	-	-	(554,010)	(46,725)	(600,735)
Ending, December 31, 2018	7,586,024	$ 758	-	$ -	2,983,476	$ (1,285,764)	$ (75,535)	$ 1,622,935

The accompanying notes are an integral part of these consolidated financial statements.

H/CELL ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (554,010)	$ 8,897
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	194.105	32,585
Stock-based compensation	68,293	51,625
Change in deferred tax asset	5,743	(44,257)
Gain on sale of assets	(17,276)	(77)
Change in fair value contingent consideration	15,418	-
Bad debt expense	616	-
Change in operating assets and liabilities:		
Accounts and retainage receivable	(219,501)	(157,164)
Prepaid expenses and other costs	(2,018)	(420)
Costs in excess of billings	1,067	40,373
Accounts payable and accrued expenses	28,261	(5,128)
Billings in excess of costs	114,656	3,668
Net cash used in operating activities	(364,646)	(69,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(46,690)	(36,943)
Cash acquired in business acquisition	30,408	-
Security deposits	(26,922)	-
Proceeds from disposition of property and equipment	67,959	11,969
Net cash provided by (used in) investing activities	24,755	(24,974)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible debt	395,000	-
Payments of related party interest	(48,000)	-
Repayments on capital leases	(51,048)	-
Repayments on notes payable	(47,684)	-
Net proceeds from line of credit	27,175	-
Proceeds related to stock option exercises	1,000	1,000
Net cash provided by financing activities	276,443	1,000
Net decrease in cash and cash equivalents	(63,448)	(93,872)
Effect of foreign currency translation on cash	(33,118)	11,705
Cash and cash equivalents, beginning of period	455,700	537,867
Cash and cash equivalents, end of period	$ 359,134	$ 455,700
Supplemental disclosure of non-cash investing and financing activities		
Common stock issued for acquisition of business	$ 1,177,779	-
Fair value of net assets acquired in business combination	$ 2,056,344	-
Beneficial conversion feature	$ 365,878	-

The accompanying notes are an integral part of these consolidated financial statements

1. ORGANIZATION AND LINE OF BUSINESS

H/Cell Energy Corporation (the "Company") was incorporated in the state of Nevada on August 17, 2015. The Company, based in Dallas, Texas, is a company whose principal operations consist of designing and installing clean energy systems with a focus on hydrogen energy. Effective January 31, 2017, the Company acquired The Pride Group (QLD) Pty Ltd, an Australian company ("Pride") (see Note 11). Founded in 1997, Pride is a provider of security systems integration for a variety of customers in the government and commercial sector and has launched a new clean energy systems division to focus on the high growth renewable energy market in Asia-Pacific. The new clean energy division has generated some revenue and has begun to bid a number of projects. On February 1, 2018, the Company acquired PVBJ Inc. ("PVBJ") for 444,445 shares of the Company's common stock with a fair value of $1,177,779 and $221,800 in earn-out liability (see Note 12). Established in 2008, PVBJ is well recognized for the design, installation, maintenance and emergency service of environmental systems both in residential and commercial markets. PVBJ is now expanding into clean energy systems.

The Company has developed a hydrogen energy system for residential and commercial use designed to create electricity. This system uses renewable energy as its source for hydrogen production. It functions as a self-sustaining clean energy system using hydrogen and fuel cell technology. It can be configured as an off grid solution for all electricity needs or it can be connected to the grid to generate energy credits. Its production of electricity is truly eco-friendly, as it is not produced by the use of fossil fuels. It is a revolutionary green-energy concept that is safe, renewable, self-sustaining and cost effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation.

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions in the construction industry, and the financial stability of its customers. Accounts are written off as uncollectible after collection efforts have failed. In addition, the Company does not generally charge interest on past-due accounts or require collateral. At December 31, 2018 and December 31 2017, there was no allowance for doubtful accounts required.

Property and Equipment, and Depreciation

Property and equipment are stated at cost. Depreciation is generally provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining term of the lease or the estimated useful life of the improvement.

Repairs and maintenance that do not improve or extend the lives of the property and equipment are charged to expense as incurred.

Goodwill and Finite Intangible Assets

Goodwill represents the excess of the aggregate of the following (1) consideration transferred, (2) the fair value of any non-controlling interest in the acquiree, and (3) if the business combination is achieved in stages, the acquisition-date fair value of our previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Identifiable intangible assets consist primarily of customer lists and relationships, non-compete agreements and technology based intangibles and other contractual agreements. The Company amortizes finite lived identifiable intangible assets over 5 years, on a straight-line basis to their estimated residual values and periodically reviews them for impairment. Total identifiable intangible assets comprised 41% of our consolidated total assets at December 31, 2018. There were no intangible assets or goodwill at December 31, 2017.

The Company uses the acquisition method of accounting for all business combinations and does not amortize goodwill. Goodwill is tested for possible impairment annually during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If the Company can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would not need to perform the two-step impairment test for that reporting unit. If the Company cannot support such a conclusion or the Company does not elect to perform the qualitative assessment then the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, its goodwill is not impaired and the second step of the impairment test is not necessary. If the carrying amount of the reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with its carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess.

The Company performed its annual impairment test for PVBJ. Based on the results of the qualitative testing, the fair value did not exceed the carrying value. The PVBJ reporting unit exceeded acquisition projections in 2018 and expects to meet future projections.

As of December 31, 2018, the Company had recorded goodwill in the amount of $1,373,621 related to the PVBJ acquisition. The performance of the Company's fiscal 2018 impairment analysis did not result in an impairment of the Company's goodwill.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). The Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments.

Advertising Costs

Advertising costs are charged to expense during the period in which they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 was $4,426 and $3,166, respectively.

Foreign Currency Translation

The Company translates its foreign subsidiary's assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in accumulated other comprehensive income. The Company records gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income (loss) for each period. Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The functional and reporting currency of the Company is the United States Dollar ("U.S. Dollar"). The financial records of Pride located in Australia, is maintained in the local currency, the Australian Dollar (AUD$) which is also its functional currency.

For the year ended December 31, 2018, the Company recorded other comprehensive loss from a translation loss of $46,725 in the consolidated financial statements. For the year ended December 31, 2017, the Company recorded other comprehensive gain from a translation gain of $21,996 in the consolidated financial statements.

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standard Update 2014-09, "Revenue from Contracts with Customers" ("Topic 606") using the modified retrospective method applied to those contracts which were not completed as of December 31, 2017. Results for reporting periods beginning January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

Under ASC Topic 606 requirements, the Company recognizes revenue from the installation or construction of projects and service or short term projects over time using the cost-based input method. The Company accounts for a contract when: (i) it has approval and commitment from both parties, (ii) the rights of the parties are identified, (iii) payment terms are identified, (iv) the contract has commercial substance, and (v) collectability of consideration is probable. The Company considers the start of a project to be when the above criteria have been met and the Company either has written authorization from the customer to proceed or an executed contract. A detailed breakdown of the five step process is as follows:

Identify the contract with a customer:

The Company receives almost all of its contracts from only two sources, referrals or government bids. In a referral, a client that the company has an ongoing business relationship refers the company to perform services. In a government bid, the Company applies to perform services for public projects. The contracts have a pattern of being stand-alone contracts.

Identify the performance obligations in the contract:

The performance obligation of the company is to perform a contractually agreed upon task for the customer. If the contract is stated to provide only contractual service, then the service is considered the only performance obligation. If the contractual service includes design and or engineering in addition to the contract, it is considered a single performance obligation.

Determine the transaction price:

The nature of the industry involves a number of uncertainties that can affect the current state of the contract. Variable consideration are the estimates made due to a contract modification in the contractual service. Change orders, claims, extras, or back charges are common in contractual services activity as a form of variable consideration. If there is going to be a contract modification, judgment by management will need to be made to determine if the variable consideration is enforceable. The following factors are considered in determining if the variable consideration is enforceable:

1. The customer's written approval of the scope of the change order;
2. Current contract language that indicates clear and enforceable entitlement relating to the change order;
3. Separate documentation for the change order costs that are identifiable and reasonable; or
4. The Company's favorable experience in negotiating change orders, especially as it relates to the specific type of contract and change order being evaluated

Once the Company receives a contract, a budget of projected costs are generated for the contract based on the contract price. The Company has a trend of overestimating costs to the project in order to reduce the frequency of change orders required for a project. If the scope of the contract during the contractual period needs to be modified the company typically files a change order. The company does not continue to perform services until the change modification is agreed upon with documentation by both the company and the client. There are few times that claims, extras, or back charges are included in the contract.

Allocate the transaction price to the performance obligations in the contract:

If there are multiple performance obligations to the contract, the costs must be allocated appropriately and consistently to each performance obligation. In the company's experience, usually only one performance obligation is stated per contract. If there are multiple services provided for one client, the company has a policy of splitting out the services over multiple contracts.

Recognize revenue when (or as) the entity satisfies a performance obligations:

The Company uses the total costs incurred on the project relative to the total expected costs to satisfy the performance obligation. The input method involves measuring the resources consumed, labor hours expended, costs incurred, time lapsed, or machine hours used relative to the total expected inputs to the satisfaction of the performance obligation. Costs incurred prior to actual contract (i.e. design, engineering, procurement of material, etc.) should not be recognized as the client does not have control of the good/service provided. When the estimate on a contract indicates a loss, or claims against costs incurred reduce the likelihood of recoverability of such costs, the Company records the entire estimated loss in the period the loss becomes known. Project contracts typically provide for a schedule of billings or invoices to the customer based on the Company's job to date percentage of completion of specific tasks inherent in the fulfillment of its performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statement of operations can and usually does differ from amounts that can be billed or invoiced to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceed cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in the Company's balance sheet under the captions "Costs and estimated earnings in excess of billings" and "Unbilled accounts receivable." Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized on the contract are reflected as a current liability in the Company's balance sheet under the caption "Billings in excess of costs and estimated earnings."

Disaggregated Revenue:

For the year ended December 31, 2018, revenues from contracts with customers summarized by Segment Geography and Revenue Stream were as follows:

	2018	2017
United States - Service	$ 2,440,854	$ -
Australia - Service	1,941,078	1,877,755
United States - Contract	40,548	85,919
Australia - Contract	3,123,957	4,389,212
Total	$ 7,546,437	$ 6,352,886

Cash and Cash Equivalents

Cash and cash equivalents includes cash in bank and money market funds as well as other highly liquid investments with an original maturity of three months or less. The Company had no cash equivalents as of December 31, 2018 or December 31, 2017. At times during the years ended December 31, 2018 and 2017, balances exceeded the FDIC insurance limit of $250,000.

Stock-Based Compensation

The Company recognizes expense for its stock-based compensation based on the fair value of the awards at the time they are granted. We estimate the value of stock option awards on the date of grant using the Black-Scholes model. The determination of the fair value of stock-based payment awards on the date of grant is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, expected term, risk-free interest rate, expected dividends and expected forfeiture rates. The forfeiture rate is estimated using historical option cancellation information, adjusted for anticipated changes in expected exercise and employment termination behavior. Our outstanding awards do not contain market or performance conditions.

Sales and Use Tax

The Company collects sales tax in various jurisdictions. Upon collection from customers, it records the amount as a payable to the related jurisdiction. On a periodic basis, it files a sales tax return with the jurisdictions and remits the amount indicated on the return.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes pursuant to FASB ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

The Company recognizes and measures its unrecognized tax benefits in accordance with ASC 740. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Company did not identify any material uncertain tax positions. The Company did not recognize any interest or penalties for unrecognized tax benefits.

The federal income tax returns of the Company are subject to examination by the IRS, generally for the three years after they are filed. The Company's 2018, 2017, 2016 and 2015 income tax returns are still open for examination by the taxing authorities.

Fair Value of Financial Instruments

Except for the Company's earn-out liability, the carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and short-term borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed. The Company classifies and discloses assets and liabilities carried at fair value in one of the following three categories:

- Level 1—quoted prices in active markets for identical assets and liabilities;
- Level 2—observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3—significant unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The table below presents a reconciliation of the fair value of the Company's contingent earn-out obligations that use significant unobservable inputs (Level 3).

Balance at December 31, 2017	$	-
Earn-out liability from acquisition of PVBJ Inc.		175,318
Payments		-
Adjustments to fair value		15,418
Balance at December 31, 2018	$	190,736

The Company values earn-out obligations using a probability weighted discounted cash flow method. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. This analysis reflects the contractual terms of the purchase agreements (e.g., minimum and maximum payments, length of earn-out periods, manner of calculating any amounts due, etc.) and utilizes assumptions with regard to future cash flows, probabilities of achieving such future cash flows and a discount rate. The contingent earn-out obligations are measured at fair value each reporting period and changes in estimates of fair value are recognized in earnings.

Net Income (Loss) Per Common Share

The Company computes basic net income (loss) per share by dividing net income (loss) per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods as applicable. The computation of diluted loss per share excludes dilutive securities for the year ended December 31, 2018 because their inclusion would be anti-dilutive. Dilutive securities for the years ended December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Options to purchase common stock	955,000	1,050,000
Convertible debt	800,000	-
Totals	1,755,000	1,050,000

3. RELATED PARTY TRANSACTIONS

The Company's former office space during the years ended December 31, 2017 and 2018 consisted of approximately 800 square feet, which was donated to it from one of its executive officers. There was no lease agreement and the Company paid no rent.

Effective February 4, 2016, the Company sold 526,316 shares of common stock to Reza Enterprises, Inc., an entity beneficially owned by Rezaul Karim. In connection with, and as a condition of closing, the Company agreed to appoint Rezaul Karim to its board of directors. Rezaul Karim resigned from the board of directors effective April 1, 2017. On April 1, 2017, the Company entered into a consulting agreement with Rezaul Karim for a period of one year to promote our products and services. In April of 2017 and 2018, Rezaul Karim exercised 100,000 options.

In June 2016, the Company entered into a contract with Rezaul Karim, one of its former directors, for the installation of an HC-1 system. The system installation was complete pending any change orders as of December 31, 2018, and generated $31,789 and $85,919 of revenue for the years ended December 31, 2018 and 2017, respectively. The Company subcontracted the installation of the system to Renewable Energy Holdings LLC ("REH"), a company owned by Mike Strizki, one of the Company's executive officers. James Strizki, one of the Company's executive officers, is vice president of operations at REH. Costs incurred for REH were $31,617 and $87,649 for the years ended December 31, 2018 and 2017, respectively.

In September 2018, the Company entered into a contract with Steve Mullane, the Executive General Manager of Pride, for a solar installation. The system installation was complete as of December 31, 2018 and generated $8,759 of revenue in 2018 along with costs of $8,759.

The Company has entered into agreements to indemnify its directors and executive officers, in addition to the indemnification provided for in the Company's articles of incorporation and bylaws. These agreements, among other things, provide for indemnification of the Company's directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or executive officer of the Company, any subsidiary of the Company or any other company or enterprise to which the person provided services at the Company's request. The Company believes that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

At December 31, 2018 and December 31, 2017, the balances due to Turquino Equity LLC (Turquino"), a significant shareholder, amounted to $0 and $31,257, respectively. These balances represent expenses for management services. There was $78,000 of management fees expensed for the year ended December 31, 2018 and $184,004 for the year ended December 31, 2017.

On January 2, 2018, the Company entered into a securities purchase agreement (the "Purchase Agreement") with two of its directors, pursuant to which the Company sold an aggregate principal amount of $400,000 in 12% Convertible Debentures ("Debentures"), convertible into shares of the Company's common stock at a conversion price of $0.75 per share. The Debentures, together with any accrued and unpaid interest, become due and payable on January 2, 2020 (the "Maturity Date"). Interest on the Debentures accrues at the rate of 12% per annum, payable monthly in cash, beginning on February 1, 2018 and through the Maturity Date. The Debentures are convertible into common stock at a conversion price of $0.75 per share at the discretion of the holder, with special provisions applying to any holder whose conversion would result in the holder beneficially owning more than 4.99% of the Company's common stock. Subsequent to December 31, 2018, the Debentures were amended to reduce the interest rate to 10% and reduce the conversion price to $0.50 (see Note 20). In connection with this convertible note payable, the Company recorded a $395,000 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note using the effective interest method, or until the note is converted or repaid.

On August 21, 2018, PVBJ entered into a loan and security agreement (the "Credit Agreement") with Thermo Communications Funding, LLC ("Thermo"). The Credit Agreement provides for a revolving line of credit in an amount not to exceed $350,000, which is evidenced by a promissory note issued by PVBJ to Thermo (the "Note"). Pursuant to the Credit Agreement, PVBJ granted a security interest to Thermo in all of its assets. In addition, pursuant to a limited recourse guaranty, Andrew Hidalgo, the Company's Chief Executive Officer personally guaranteed the repayment of the Credit Agreement under certain conditions.

4. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Cash is maintained at an authorized deposit-taking institution (bank) incorporated in both the United States and Australia and is insured by the U.S. Federal Deposit Insurance Corporation and Australian Securities & Investments Commission up to $250,000 and approximately $186,000 USD in total, respectively. At December 31, 2018 and 2017 the balance was fully covered under the $250,000 threshold in the United States. In Australia the balance exceeded the threshold by $133,578 at December 31, 2018 and $265,273 at December 31, 2017.

Credit risk for trade accounts is concentrated as well because substantially all of the balances are receivable from entities located within certain geographic regions. To reduce credit risk, the Company performs ongoing credit evaluations of its customers' financial conditions, but does not generally require collateral. In addition, at December 31, 2018, approximately 20% of the Company's accounts receivable was due from two unrelated customers, each at 10%. At December 31, 2017, approximately 36% of the Company's accounts receivable was due from three unrelated customers, 14%, 12% and 10%, respectively.

5. MAJOR CUSTOMERS

There were three customers with a concentration of 10% or higher of the Company's revenue, two at 13% and one at 12% for the year ended December 31, 2018, and three customers, at 24% and two at 12%, for the year ended December 31, 2017.

6. PROPERTY AND EQUIPMENT

At December 31, 2018 and December 31, 2017, property and equipment were comprised of the following:

	December 31, 2018	December 31, 2017
Furniture and fixtures (5 to 7 years)	$ 11,661	$ 6,857
Machinery and equipment (5 to 7 years)	36,969	35,919
Computer and software (3 to 5 years)	88,021	94,761
Auto and truck (5 to 7 years)	785,979	250,044
Leasehold improvements (life of lease)	34,788	40,608
	957,418	428,189
Less accumulated depreciation	480,982	325,616
	$ 476,436	$ 102,573

Depreciation expense for the years ended December 31, 2018 and 2017 was $145,606 and $31,985, respectively.

7. UNCOMPLETED CONTRACTS

Costs, estimated earnings and billings on uncompleted contracts are summarized as follows at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Costs incurred on uncompleted contracts	$ 811,173	$ 2,485,787
Estimated earnings	469,109	779,598
Costs and estimated earnings on uncompleted contracts	1,280,282	3,265,385
Billings to date	1,265,475	3,553,817
Costs and estimated earnings in excess of billings on uncompleted contracts	14,807	(288,432)
Costs and earnings in excess of billings on completed contracts	(164,660)	(252,757)
	$ (149,853)	$ (35,675)
Costs in excess of billings	$ 45,478	$ 51,531
Billings in excess of cost	(195,331)	(87,206)
	$ (149,853)	$ (35,675)

8. COMMITMENTS

The Company previously entered into two operating leases for office space in Woombye and Brisbane, Queensland, Australia, both which expired in April 2018. The Company signed a new lease in February of 2018 for new office space in Kunda Park Queensland Australia, starting in May 2018 and expiring in May 2021. The Company also renewed the Brisbane office space for one year starting in May 2018. The Company's office in Downingtown, Pennsylvania was renewed in January of 2018 for a one-year period. The future minimum payments on the leases for each of the next three years and in the aggregate amount to the following:

2019	54,050
2020	39,639
2021	13,213
	$ 106,902

Rent expense for the year ended December 31, 2018 and 2017 was $98,593 and $90,000, respectively and is included in "General and Administrative" expenses on the related statements of operations.

During the year December 31, 2018, the Company had vehicles leased under two capital leases, with a net book value of $324,495, which expire in June 2020 and December 2025. During the year ended December 31, 2017, the Company had no capital leases. The obligations are payable in monthly installments ranging from approximately $503 to $1,578 with interest rates from 3.0% to 5.57% per annum. The leases are secured by the related equipment.

At December 31, 2018, approximate payments to be made on these capital lease obligations are as follows:

2019	$	75,342
2020		75,342
2021		60,734
2022		43,703
2023		39,531
Thereafter		29,843
Capital lease obligation		324,495
Less: amounts representing interest		26,354
Current maturities of capital lease obligations		65,265
Capital lease obligations, non-current	$	232,876

9. DEBT

Long-term debt consisted of the following:

Equipment Notes Payable

	December 31, 2018		December 31, 2017	
Note payable with monthly payments of $716, including interest at 6.50% per annum through November 2020.	$	18,707	$	-
Note payable with monthly payments of $615.25, including interest at 6.80% per annum through August 2021.	$	18,383		-
Note payable with monthly payments of $1,294.50, including interest at 14.72 per annum through March 2023.	$	50,072	$	-
Note payable with monthly payments of $1,063.45, including interest at 5.76% per annum through April 2021	$	18,539	$	-
Note payable with monthly payments of $946.84 including interest at 6.14% per annum through December 2024.	$	54,328	$	-
Total:	$	160,029	$	-
Total current portion:	$	(38,991)	$	-
Total non-current portion:	$	121,038	$	-

Aggregate annual principal payments in the fiscal years subsequent to December 31, 2018, are as follows:

Year ending December 31:		**Amount**
2019	$	49,318
2020		46,567
2021		29,614
2022		22,307
2023		25,653
Thereafter		11,362
Notes payable obligation		184,821
Less amounts representing interest		(24,792)
	$	**160,029**

Convertible Note Payable

On January 2, 2018, the Company entered into an agreement with two related parties, who are directors of the Company and issued a 12.0% interest bearing convertible debenture for $400,000 due on January 2, 2020, with conversion features commencing immediately following the date of the note. Payments of interest only were due monthly beginning January 2018. The Debentures are convertible into common stock at a conversion price of $0.75 per share at the discretion of the holder, with special provisions applying to any holder whose conversion would result in the holder beneficially owning more than 4.99% of the Company's common stock. In connection with this convertible note payable, the Company recorded a $395,000 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note using the effective interest method, or until the note is converted or repaid. The Company incurred $5,000 of legal fees for preparation of the financing documents, which has been reflected as an additional debt discount.

For the year ended December 31, 2018, the Company incurred interest expense of $106,206, of which $29,122 related to the amortization of the discount.

For the year ended December 31, 2017, the Company incurred no interest expense.

10. CONTRACT BACKLOG

At December 31, 2018, the Company had a contract backlog approximating $583,392, with anticipated direct costs to completion approximating $452,884. At December 31, 2017, the Company had a contract backlog approximating $1,091,816, with anticipated direct costs to completion approximating $808,098.

11. ACQUISITION UNDER COMMON CONTROL

On January 31, 2017, the Company entered into a share exchange agreement (the "Exchange Agreement") by and among the Company, Pride, Turquino and Stephen Paul Mullane and Marie Louise Mullane as Trustees of the Mullane Family Trust (the "Mullane Trust" and together with Turquino, the "Pride Shareholders"). Andrew Hidalgo and Matthew Hidalgo, the Company's Chief Executive Officer and Chief Financial Officer, respectively, are each a managing partner of Turquino.

Pursuant to the Purchase Agreement, the Company acquired all of the issued and outstanding capital stock of PVBJ from Benis Holdings for an aggregate amount equal to (i) $221,800 (the "Cash Purchase Price") which will be paid in the form of an earn-out and (ii) 444,445 shares of the Company's common stock, par value $.0001 per share having a fair value of $1,177,779 (the "Acquisition Shares"). Pursuant to the Purchase Agreement, the Acquisition Shares were issued at closing, and the earn-out will be paid to Benis Holdings from positive earnings before taxes of PVBJ, with Benis Holdings to receive 50% of annual earnings before taxes of PVBJ until such time as Benis Holdings has received the full Cash Purchase Price.

12. GOODWILL AND OTHER INTANGIBLES

The tables below present a reconciliation of the Company's goodwill and intangibles:

Goodwill

Balance at December 31, 2017	$	-
Goodwill from acquisition of PVBJ Inc.		1,373,621
Adjustments		-
Balance at December 31, 2018	$	1,373,621

Intangibles – customer list

Balance at December 31, 2017	$	-
Customer list from acquisition of PVBJ Inc.		102,422
Amortization		(18,777)
Balance at December 31, 2018	$	83,645

The Company has elected to early adopt ASU 2017-04 as of January 1, 2018 which is outlined below in Note 18 in performing their 2018 impairment test and as previously stated noted no impairment.

13. BUSINESS ACQUISITION

On February 1, 2018, the Company entered into a stock purchase agreement (the "Purchase Agreement") by and among the Company, PVBJ and Benis Holdings LLC, the sole shareholder of PVBJ ("Benis Holdings").

Pursuant to the Purchase Agreement, the Company acquired all of the issued and outstanding capital stock of PVBJ from Benis Holdings for an aggregate amount equal to (i) $221,800 (the "Cash Purchase Price") and (ii) 444,445 shares of the Company's common stock, par value $.0001 per share having a fair value of $1,177,779 (the "Acquisition Shares"). Pursuant to the Purchase Agreement, the Acquisition Shares were issued at closing, and the earn-out will be paid to Benis Holdings from positive earnings before taxes of PVBJ, with Benis Holdings to receive 50% of annual earnings before taxes of PVBJ until such time as Benis Holdings has received the full Cash Purchase Price.

In connection with the acquisition of PVBJ, the Company entered into an employment agreement (the "Employment Agreement") with Paul V. Benis, Jr. to serve as an Executive Vice President of the Company for a period of three years. Pursuant to the Employment Agreement, Mr. Benis shall receive an annual salary of $150,000 and have oversight of the business operations of PVBJ.

The consideration transferred in the acquisition was as follows:

Upfront consideration	$	1,177,779
Liabilities assumed		878,565
Total	$	2,056,343

The acquisition accounting of PVBJ, including the fair values of working capital balances, property and equipment, identifiable intangible assets and goodwill was finalized in the fourth quarter of the year ended December 31, 2018. Management did not need to record any measurement period adjustments during the period.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	$	30,408
Accounts receivable		277,338
Property and equipment, net		272,554
Customer list		102,422
Goodwill		1,373,621
Total assets acquired		2,056,344
Accounts payable		(112,590)
Debt assumed		(590,657)
Earn-out liability		(175,318)
Total liabilities assumed		(878,565)
Total net assets acquired	$	1,177,779

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to lower future operating expenses and the knowledge and experience of the workforce in place. The goodwill is not deductible for income tax purposes.

A summary of identifiable intangible assets acquired, useful lives and amortization method is as follows:

Useful Life in		Amount	Years	Amortization Method
Customer List	$	102,422	5	Straight Line
Total	$	102,422		

The results of PVBJ's operations are included in the consolidated statements of operations beginning February 1, 2018. PVBJ's net loss for year ended December 31, 2018 totaled $27,682. The net loss of the Company includes acquired intangible asset amortization of $18,777 for the year ended December 31, 2018.

For year ended December 31, 2018, acquisition related costs for the Company totaled $44,500 and are included in general and administration expenses.

Pro forma results for H/Cell Energy Corporation giving effect to the PVBJ Inc. acquisition

The following pro forma financial information presents the combined results of operations of PVBJ and the Company for the years ended December 31, 2018 and 2017. The pro forma financial information presents the results as if the acquisition had occurred as of the beginning of 2017.

The unaudited pro forma results presented include amortization charges for acquired intangible assets, interest expense and stock-based compensation expense.

Pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place as of the beginning of 2017.

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues	$ 7,755,567	$ 8,533,972
Net loss	(549,235)	(83,468)
Net loss per share:		
Basic	(0.07)	(0.01)
Diluted	(0.07)	(0.01)

14. STOCK OPTIONS AWARDS AND GRANTS

A summary of the stock option activity and related information for the Company's 2016 Incentive Stock Option Plan from December 31, 2017 to December 31, 2018 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2015	-			
Grants	1,000,000	$ 0.01	5.00	$ 387,450
Exercised	-			
Canceled	-			
Outstanding at December 31, 2016	1,000,000	$ 0.01	3.19	$ 387,450
Grants	150,000	1.83	4.35	165,477
Exercised	(100,000)	0.01	-	(38,745)
Canceled	-			
Outstanding at December 31, 2017	1,050,000	$ 0.27	3.35	514,182
Exercisable at December 31, 2017	-	$ -	-	$ -
Outstanding at December 31, 2017	1,050,000	$ 0.27	3.35	$ 514,182
Grants	30,000	0.03	4.89	-
Exercised	(100,000)	0.01	-	(38,475)
Canceled	(25,000)	0.03	-	(14,456)
Outstanding at December 31, 2018	955,000	0.29	3.40	461,251
Exercisable at December 31, 2018	106,250	$ 0.26	2.98	$ 120,063

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on options with an exercise price less than the Company's weighted average grant date stock price of $0.3958 per share, which would have been received by the option holders had those option holders exercised their options as of that date. It also includes options granted at exercise prices of $2.00, $1.50, and $1.00, which were equal to the closing sales price of the Company's common stock on the dates of grant.

Option valuation models require the input of highly subjective assumptions. The fair value of stock-based payment awards was estimated using the Black-Scholes option model with a volatility figure derived from an index of historical stock prices of comparable entities until sufficient data exists to estimate the volatility using the Company's own historical stock prices. Management determined this assumption to be a more accurate indicator of value.

The Company accounts for the expected life of options based on the contractual life of options for non-employees. For incentive options granted to employees, the Company accounts for the expected life in accordance with the "simplified" method, which is used for "plain-vanilla" options, as defined in the accounting standards codification. The risk-free interest rate was determined from the implied yields of U.S. Treasury zero-coupon bonds with a remaining life consistent with the expected term of the options. The fair value of stock-based payment awards was estimated using the Black-Scholes pricing model.

As of December 31, 2018, there was $56,745 of unrecognized compensation expense. At December 31, 2017, there was $110,366 of unrecognized compensation expense.

15. SEGMENT INFORMATION

The Company's business is organized into two reportable segments: renewable systems integration revenue and non-renewable systems integration revenue. The reporting segments follow the same accounting policies used in the preparation of the Company's consolidated financial statements. The following represents selected information for the Company's reportable segments for the years ended December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Assets by Segment		
Renewable systems integration	$ 1,540,423	$ 27,589
Non-renewable systems integration	1,984,084	1,457,607
	3,524,507	$ 1,485,196

	For the Years Ended	
	December 31, 2018	December 31, 2017
Revenue by segment		
Renewable systems integration – related party	$ 40,548	$ 85,919
Non-renewable system integration	7,505,889	6,266,967
	$ 7,546,437	$ 6,352,886
Cost of sales by segment		
Renewable systems integration – related party	$ 40,376	$ 87,649
Non-renewable system integration	5,492,607	4,241,421
	$ 5,532,983	$ 4,329,070
Operating expenses		
Renewable Systems integration	$ 565,700	$ 261,118
Non-renewable system Integration	1,881,160	1,699,745
	$ 2,446,860	$ 1,960,863
Operating (loss) income by segment		
Renewable Systems integration	$ (565,528)	$ (262,633)
Non-renewable system Integration	132,122	325,586
	$ (433,406)	$ 62,953

16. 401(k) PLANS

Substantially all of the Company's employees may elect to defer a portion of their annual compensation in the Company-sponsored 401(k) tax-deferred savings plans. The Company makes matching contributions in these plans. The amount charged to expense for these plans was $12,324 for the year ended December 31, 2018. There was no expense for year ended December 31, 2017.

17. INCOME TAX

The components of income tax expense (benefit) are as follows (in thousands):

	Year Ended December 31,	
	2018	2017
Current		
U.S. Federal	$ -	$ -
U.S. State and local	13	-
Australia	9	98
Total current	22	98

	Year Ended December 31,	
	2018	2017
Deferred		
U.S. Federal	$ -	$ -
U.S. State and local	-	-
Australia	(6)	(44)
Total deferred	(6)	(44)
Total income tax expense	**16**	**54**

At December 31, 2018 and 2017, the Company had deferred tax assets of $430,000 and $235,000, respectively, against which a valuation allowance of $380,000 and $191,000, respectively, had been recorded. The change in the valuation allowance for the year ended December 31, 2018 was an increase of $189,000. The increase in the valuation allowance for the year ended December 31, 2018 was mainly attributable to increases in U.S. net operating losses and share-based compensation, which resulted in an increase in the Company's deferred tax assets. The Company established valuation allowances equal to the full amount of its U.S. deferred tax assets because of the uncertainty of the realization of these deferred tax assets in future periods. The Company periodically assesses the likelihood that it will be able to recover the deferred tax assets. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income.

Significant components of our deferred tax assets at December 31, 2018 and 2017 were as follows ($ in thousands):

	Year Ended December 31,	
	2018	2017
Deferred tax assets:		
Net operating loss carryforwards – U.S.	224	68
Charitable contribution carryforward	3	-
Share-based compensation	153	123
Accrued liabilities	50	44
Gross deferred tax assets	430	235
Valuation allowance	(380)	(191)
Net deferred tax assets	50	44

A reconciliation of the federal statutory tax rate and the effective tax rates for the years ended December 31, 2018 and 2017 is as follows:

	For the Year Ended December 31,	
	2018	**2017**
U.S. federal statutory tax rate	21.0%	34.0%
State income taxes, net of federal benefit	(7.1)	(67.2)
U.S. vs. foreign tax rate differential	-	(20.7)
Impact of tax law change	-	140.5
Deferred tax adjustments	-	(205.7)
Deemed repatriation	-	34.7
Other	(9.5)	(8.1)
Change in valuation allowance	(7.4)	178.4
Effective tax rate	(3.0)%	85.9%

The Company had approximately $749,000 and $235,000 of gross net operating loss ("NOL") carryforwards (U.S. federal and state) as of December 31, 2018 and 2017, respectively, which begin to expire after 2036 through 2038. Sections 382 and 383 of the Internal Revenue Code, and similar state regulations, contain provisions that may limit the NOL carryforwards available to be used to offset income in any given year upon the occurrence of certain events, including changes in the ownership interests of significant stockholders. In the event of a cumulative change in ownership in excess of 50% over a three-year period, the amount of the NOL carryforwards that the Company may utilize in any one year may be limited.

The Tax Cuts and Jobs Act (the "Act") was enacted in December 2017. Among other things, the Act reduces the U.S. federal corporate tax rate from 35 percent to 21 percent, eliminates the alternative minimum tax for corporations, and creates a one-time deemed repatriation of profits earned outside of the U.S. The reduction of the corporate tax rate resulted in a write-down of the Company's gross deferred tax assets of approximately $88,000, and a corresponding write-down of the valuation allowance. The one-time deemed repatriation of profits by the Company's Australian subsidiary in 2017 resulted in a decrease in its NOL of approximately $64,000.

18. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued accounting standard update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under previous guidance. This may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In July 2015, the FASB approved the proposal to defer the effective date of ASU 2014-09 standard by one year. Early adoption was permitted after December 15, 2016, and the standard became effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. In 2016, the FASB issued final amendments to clarify the implementation guidance for principal versus agent considerations (ASU No. 2016-08), accounting for licenses of intellectual property and identifying performance obligations (ASU No. 2016-10), narrow-scope improvements and practical expedients (ASU No. 2016-12) and technical corrections and improvements to ASU 2014-09 (ASU No. 2016-20) in its new revenue standard. The Company has performed a review of the requirements of the new revenue standard and is monitoring the activity of the FASB and the transition resource group as it relates to specific interpretive guidance. The Company reviewed customer contracts, applied the five-step model of the new standard to its contracts, and compared the results to its current accounting practices. The Company has included disclosures required by the new standard and the adoption has not had a material impact on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is not permitted with the exception of certain provisions related to the presentation of other comprehensive income. The adoption of ASU 2016-01 did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), ("ASU 2016-02") and issued subsequent amendments to the initial guidance. This ASU requires an entity to recognize a right-of-use asset ("ROU") and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. Similar modifications have been made to lessor accounting in-line with revenue recognition guidance. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard is effective for the Company on January 1, 2019, with early adoption permitted. Entities are required to adopt ASC 842 using a modified retrospective transition method. Full retrospective transition is prohibited. The guidance permits an entity to apply the standard's transition provisions at either the beginning of the earliest comparative period presented in the financial statements or the beginning of the period of adoption (i.e., on the effective date). We expect to adopt the new standard on its effective date. While the Company continues to assess all of the effects of adoption, it currently believes the most significant effects relate to: the recognition of new ROU assets and lease liabilities on its balance sheet for real estate and equipment operating leases; and providing significant new disclosures about its leasing activities. The Company does not expect a significant change in its leasing activities between now and adoption. The new standard provides a number of optional practical expedients in transition. The Company expects to elect the 'package of practical expedients', which permits it to not reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company does not expect to elect the use-of hindsight or the practical expedient pertaining to land easements; the latter not being applicable to it.

On adoption, the Company currently expects to recognize additional operating lease liabilities with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments for existing operating leases on its consolidated balance sheets. The new standard also provides practical expedients for an entity's ongoing accounting. The Company currently expects to elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company also currently expects to elect the practical expedient to not separate lease and non-lease components for all of its leases, which will mean all consideration that is fixed, or in-substance fixed, relating to the non-lease components will be captured as part of its lease components for balance sheet purposes.

In August 2016, FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for fiscal years, and interim periods within those years beginning after December 15, 2017. The Company adopted ASU 2016-15 effective January 1, 2018 and it did not have a material impact on its financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 eliminates Step 2 as part of the goodwill impairment test. The amount of the impairment charge to be recognized would now be the amount by which the carrying value exceeds the reporting unit's fair value. The loss to be recognized cannot exceed the amount of goodwill allocated to that reporting unit. The amendments in ASU 2017-04 are effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company has elected to early adopt ASU 2017-04 as of January 1, 2018. The Company has applied the guidance related to ASU 2017-04 during its annual impairment test in the fourth quarter of 2018. An entity should apply the amendments in this update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the entity initially adopts the amendments in this update. The Company has elected to early adopt this standard in performing their 2018 impairment test.

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09") to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under this new guidance, modification accounting is required if the fair value, vesting conditions, or classification of the award changes as a result of the change in terms or conditions. ASU 2017-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within each annual reporting period. The Company adopted ASU 2017-09 effective January 1, 2018 and it did not have a material impact on its financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"). ASU 2018-07 simplifies the accounting for nonemployee share-based payment transactions. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The new standard will become effective for the Company beginning January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In August 2018, the FASB issue ASU 2018-13, Fair Value Measurement (ASC 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The new standard will become effective for the Company January 1, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

Management does not believe there would have been a material effect on the accompanying financial statements had any other recently issued, but not yet effective, accounting standards been adopted in the current period.

19. EARNINGS (LOSS) PER SHARE

The following table sets forth the information needed to compute basic and diluted earnings (loss) per share:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net income (loss)	$ (554,010)	$ 8,897
Weighted average common shares outstanding	7,586,024	6,703,223
Dilutive securities Convertible debt	601,704	-
Options	951,034	996,520
Diluted weighted average common shares outstanding	7,586,024	7,699,743
Basic net income (loss) per share	$ (0.07)	0.00
Diluted net income (loss) per share	$ (0.07)	0.00

For the year ended December 31, 2018 certain potential shares of common stock have been excluded from the calculation of diluted income per share because of a net loss, and therefore, the effect on diluted income per share would have been anti-dilutive.

20. NOTE PAYABLE

On August 21, 2018, PVBJ entered into a loan and security agreement (the "Credit Agreement") with Thermo Communications Funding, LLC ("Thermo"). The Credit Agreement provides for a revolving line of credit in an amount not to exceed $350,000, which is evidenced by a promissory note issued by PVBJ to Thermo (the "Note"). Pursuant to the Credit Agreement, PVBJ granted a security interest to Thermo in all of its assets. In addition, pursuant to a limited recourse guaranty, Andrew Hidalgo, the Company's Chief Executive Officer personally guaranteed the repayment of the Credit Agreement under certain conditions. Pursuant to the terms of the Credit Agreement, the Company is permitted to borrow up to $350,000 under the revolving credit line, under a borrowing base equal to the lesser of (i) or 85% of Eligible Accounts (as defined in the Credit Agreement). Borrowings under the Credit Agreement may be used for working capital and to refinance certain existing debt of PVBJ. The Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants, and events of default. Principal covenants include a debt service coverage ratio of not less than 1.15 to 1.0, a fixed charge coverage ratio of not less than 1.15 to 1.0, and maintaining a tangible net worth of at least $150,000, excluding intercompany loans to H/Cell. The loan commitment shall expire on August 21, 2020. As of December 31, 2018, the Company was in compliance with these covenants. The interest rate applicable to revolving loans under the Credit Agreement is prime plus 5.0%, subject to a minimum interest rate of 9.5%. The Company paid a loan commitment fee of $7,000, of which $3,500 was paid on closing, and $3,500 will be paid on the first anniversary. The Company will also pay a monthly monitoring fee during the term of the Credit Agreement of 0.33% of the average outstanding balance, payable monthly in arrears. The Company may prepay the Note at any time and terminate the Credit Agreement. In the event that the Company terminates the Credit Agreement, the Company will pay Thermo an early termination fee equal to 4% of the pro rata portion, which pro rata portion is determined by multiplying $350,000 by the number of months prior to the second anniversary of the effective date of the Credit Agreement and then dividing that by 24. The obligations of PVBJ under the Credit Agreement may be accelerated upon the occurrence of an event of default under the Credit Agreement, which includes customary events of default including, without limitation, payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, cross-defaults, bankruptcy and insolvency related defaults, defaults relating to judgments, an ERISA reportable event occurs, a change of control and a change in the Company's financial condition that could have a material adverse effect on the Company. As of December 31, 2018, funds totaling $38,296 were available for borrowing under the Thermo Credit Agreement.

21. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through March _ 2019, the date on which these financial statements were available to be issued.

On January 21, 2019, an aggregate of 15,000 non-statutory options were granted to one employee with such options vesting 25% on each of the first through fourth anniversary of issuance, expiring five years from the date of issuance and having an exercise price of $1.15, which is equal to the closing sales price of the Company's common stock on the date of grant.

On February 8, 2019, the Company entered into a securities purchase agreement with two of its directors that are accredited investors, pursuant to which it sold an aggregate principal amount of $150,000 in 10% Convertible Debentures (the "2019 Debentures"), convertible into shares of the Company's common stock at a conversion price of $0.50 per share. The 2019 Debentures, together with any accrued and unpaid interest, become due and payable on February 8, 2021 (the "2021 Maturity Date"). Interest on the 2019 Debentures will accrue at the rate of 10% per annum, payable monthly in cash, beginning on March 1, 2019 and on the 2021 Maturity Date. The 2019 Debentures will be convertible into common stock at a conversion price of $0.50 per share at the discretion of the holder, with special provisions applying to any holder whose conversion would result in the holder beneficially owning more than 4.99% of the Company's common stock.

On February 8, 2019, the Company and the holders of the Debentures issued in January 2018 entered into amendments (the "Amendments") to the Debentures. Pursuant to the Amendments, the conversion price of the Debentures was reduced from $0.75 to $0.50, and the interest rate on the Debentures was reduced from 12% to 10%.

Equity Purchase Agreement

On March 12, 2019, the Company entered into an equity purchase agreement (the "Purchase Agreement") and a registration rights agreement (the "Registration Rights Agreement") with an accredited investor (the "Investor"), pursuant to which the Investor has agreed to purchase from the Company up to $450,000 in shares (the "Shares") of its common stock, subject to certain limitations and conditions set forth in the Purchase Agreement.

Under the Purchase Agreement, the Investor has the right, at any time, to purchase Shares by delivering the Company a purchase notice, specifying the number of Shares to be purchased. The purchase price for the Shares under the Purchase Agreement will be 60% of the lowest closing price of the Company's common stock in the five consecutive trading days preceding the Investor's receipt of the Shares subject to such equity purchase.

In addition, the Investor has an obligation, to the extent it has not already made voluntary purchases, to purchase up to (i) $200,000 of the $450,000 in Shares within 15 Trading Days (as defined in the Purchase Agreement) after the effective date of the Registration Statement (as defined below) and (ii) $450,000 in Shares within 70 Trading Days after the effective date of the Registration Statement.

The Company has the right to reject any purchase notice from the Investor by delivering written notice of such rejection within one trading day after receipt. If the Company rejects any purchase notice, the Investor has no further obligations to purchase Shares under the Purchase Agreement. The Company may terminate the Purchase Agreement at any time by written notice to the Investor in the event of a material breach of the Purchase Agreement by the Investor. In addition, the Purchase Agreement will automatically terminate on the earliest of: (i) the date that the Investor has purchased $450,000 of Shares; (ii) 70 Trading Days after the effective date of the Registration Statement; or (iii) the date the Registration Statement is no longer effective.

The obligation of the Investor to purchase the Shares is subject to several conditions, including, among other thing, (i) that the Company has an effective registration statement with the SEC registering the Shares for resale, and (ii) that the purchase of the Shares shall not cause the Investor to own more than 9.99% of the outstanding shares of common stock. In connection with the Purchase Agreement, the Company agreed to pay $15,000 of fees to the Investor, of which $10,000 was paid on execution of the Purchase Agreement, and the remaining $5,000 will be paid on the first sale of Shares.

Pursuant to the Registration Rights Agreement, the Company is required to register the Shares on a registration statement (the "Registration Statement") to be filed with the SEC within 15 calendar days after it files the Annual Report on Form 10-K that these financial statements are part of.

Additionally, on March 12, 2019, the Company agreed to donate 35,000 shares of common stock to the manager of the Investor.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses described below, our disclosure controls and procedures are not designed at a reasonable assurance level and are ineffective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses, which relate to internal control over financial reporting, that were identified are:

a) Due to our small size, we did not have sufficient personnel in our accounting and financial reporting functions. As a result, we were not able to achieve adequate segregation of duties and were not able to provide for adequate review of the financial statements. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the consolidated financial statements will not be prevented or detected on a timely basis; and

b) We lacked sufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of U.S. GAAP and SEC disclosure requirements.

We intend to create written policies and procedures for accounting and financial reporting with respect to the requirements and application of U.S. GAAP and SEC disclosure requirements in the future.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, as a process designed by, or under the supervision of, a company's principal executive and principal financial officer and effected by the our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made in accordance with authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible enhancements to controls and procedures.

We conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our principal executive officer and principal financial officer conclude that, at December 31, 2018, our internal control over financial reporting was not effective for the reason discussed above.

This annual report does not include an attestation report by Rosenberg Rich Baker Berman, P.A., our independent registered public accounting firm regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of our executive officers and directors and their age, title, and biography as of March 30, 2018 are set forth below:

Name	Age	Position Held with our Company	Date First Elected or Appointed
Andrew Hidalgo	62	Chief Executive Officer, President, Chairman of the Board and Director	August 17, 2015
Matthew Hidalgo	36	Chief Financial Officer, Treasurer and Secretary	August 17, 2015
Mike Strizki	61	Chief Technology Officer	August 17, 2015
James Strizki	35	Executive Vice President of Technical Services	August 17, 2015
Paul V. Benis, Jr.	47	Executive Vice President	February 1, 2018
Michael A. Doyle	64	Director	April 3, 2017
Charles F. Benton	68	Director	April 3, 2017

Business Experience

The following is a brief account of the education and business experience of each director and executive officer of our Company, indicating the person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

Andrew Hidalgo – Chief Executive Officer, President, Chairman of the Board and Director.

Andy is responsible for strategic direction, business development and investor relations. Andy has over 25 years of experience in business planning, operations, mergers, acquisitions, financing, corporate governance and SEC compliance. Andy has been a Managing Partner at Turquino Equity LLC ("Turquino") since its formation in August 2013. Turquino is a global investment firm that focuses on private equity investments, mergers and acquisitions. Andy founded WPCS International Incorporated ("WPCS"), a NASDAQ-listed, design-build engineering services company, and served as Chairman, CEO and President between November 2001 and July 2013. WPCS raised over $40 million of equity financing and acquired 19 companies on three continents during Andy's tenure. Andy also has prior experience included operational and business development roles with 3M, Schlumberger and General Electric, where he was also a member of the corporate business development committee. Andy's significant executive leadership experience was instrumental in his selection as a member of the board of directors.

Matthew Hidalgo – Chief Financial Officer, Treasurer and Secretary.

Matt is responsible for financial management and operations. Matt has over 10 years of experience in finance, accounting, operations, restructuring and the integration of acquisitions. Matt has been a Managing Partner at Turquino since its formation in August 2013. Between February 2010 and December 2013, he was the controller and operations manager for WPCS International – Trenton, Inc., WPCS' largest subsidiary, managing over $30 million in annual revenue. Between February 2008 and February 2010, Matt managed accounting functions for several Australian subsidiaries of WPCS. After graduating Pennsylvania State University with a B.S. in Accounting, he began his career as an accountant for PriceWaterhouse Coopers LLP, where he focused on preparing financial statements and partnership allocations for hedge funds and private equity firms.

Mike Strizki – Chief Technology Officer.

Mike is responsible for research and development. Developer of the concept, Mike converted his own home to run on solar-hydrogen power in 2006. This included a hydrogen vehicle fueling station. The home serves as the flagship prototype for his accomplishments. Mike founded Renewable Energy Holdings LLC, or REH, a project management firm, in July 2008 and remains its sole managing member. Mike has served as the executive director of the Hydrogen House Project, a non-profit organization focused on the development of an affordable solar hydrogen energy system for residential and commercial properties, since Mike founded it in 2003. Between 1983 and 1999, Mike worked for the New Jersey Department of Transportation, where he developed two fuel cell vehicles for the state. Previously, he has assisted in the development of the Peugeot Fuel Cell Fire Engine and the Duffy Fuel Cell Electric Boat. Mike has obtained several patents for his prior work, which patents do not relate to our operations.

James Strizki – Executive Vice President of Technical Services

James is responsible for outlining the project scope, generating quotes, project management, site permits and system implementation. He manages our technical resources in assuring a high quality and efficient installation that meets the customer's expectations. After graduating Rutgers University in 2006 with a degree in Civil Engineering, James worked for the New Jersey Department of Transportation between July 2006 and October 2011 as a project engineer focused on the structural evaluation of transportation infrastructure. Since October 2011, James has been the vice president of operations of REH, where his responsibilities encompassed CADD design, solar array layouts and vendor management. James holds a Professional Engineering License and a Home Inspection License. James' significant experience with our HC-1 system was instrumental in his selection as a member of the board of directors.

Paul V. Benis, Jr. – Executive Vice President

With over 20 years of experience in the design and implementation of environmental systems, Mr. Benis is responsible for the management of designated subsidiaries. He has served as President of PVBJ Inc. since founding it in July 2008, which is an environmental systems integrator. Prior to establishing PVBJ, Mr. Benis held operation and management positions with Mauger & Company and Reedy Industries, where his focus covered project management, service operations and business development. Mr. Benis received his certification in environmental systems from Technical Careers Institute, Windsor, Connecticut.

Michael A. Doyle – Director

For over 25 years, Mr. Doyle was a key executive for Comcast Corporation where he was the President of the largest division of the multi-billion dollar Comcast Cable group representing over 18,000 employees. Mr. Doyle has been recognized by the National Cable Television Association with induction into its prestigious Cable Pioneers organization. He has also served as chairman of the management board for New England Cable News. Mr. Doyle has received the Distinguished Communications Award for Excellence in Journalism from the International Association of Business Communicators. Mr. Doyle received his B.A. from Drew University where he is also a member of their Athletic Hall of Fame.

Charles F. Benton – Director

Mr. Benton has over 30 years of experience in finance, operations and business development with major corporations. Formerly, he directed the distribution services and supply chain for Ascena Retail Group, Inc. which is a leading national specialty retailer of women's apparel operating over 1,800 retail stores in the United States. Mr. Benton also worked 20 years for Consolidated Rail Corporation (CONRAIL) where he was responsible for finance, operations and business development. Between July 2012 and January 2018, Mr. Benton served as a director of, and chaired the audit committee of, DropCar, Inc. (formerly, WPCS International Incorporated), and served as the chairman of the Board between August 2015 and January 2018. Mr. Benton is a graduate of St. Joseph's University with a B.S. degree in Accounting.

Family Relationships

Matthew Hidalgo is the son of Andrew Hidalgo and James Strizki is the son of Mike Strizki.

Board Independence and Committees

We are not required to have any independent members of the Board of Directors. The board of directors has determined that (i) Andrew Hidalgo has a relationship with the company which, in the opinion of the board of directors, would not allow him to be considered as an "independent director" as defined in the Marketplace Rules of The NASDAQ Stock Market.

As of the date of this annual report, we do not have any active Board committees and the Board as a whole carries out the functions of audit, nominating and compensation committees. We expect our Board of Directors, in the future, to appoint an audit committee, nominating committee and compensation committee, and to adopt charters relative to each such committee. We intend to appoint such persons to committees of the Board of Directors as are expected to be required to meet the corporate governance requirements imposed by a national securities exchange, although we are not required to comply with such requirements until we elect to seek a listing on a national securities exchange. In addition, we intend that a majority of our directors will be independent directors, of which at least one director will qualify as an "audit committee financial expert," within the meaning of Item 407(d)(5) of Regulation S-K, as promulgated by the SEC. We do not currently have an "audit committee financial expert" since we currently do not have an audit committee in place.

Except as may be provided in our bylaws, we do not currently have specified procedures in place pursuant to which whereby security holders may recommend nominees to the Board of Directors.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. A copy of the Code of Business Conduct and Ethics is incorporated by reference as an exhibit.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership and changes in ownership of our securities. We believe that, during fiscal 2018, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

Involvement in Certain Legal Proceedings

Our Directors and Executive Officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;

4. being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

5. being subject of, or a party to, any federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

ITEM 11 – EXECUTIVE COMPENSATION

Executive Officer Compensation

No cash compensation was paid to any executive officer since inception through December 31, 2017. The Board started paying a cash salary to one executive officer in 2018. In addition, equity compensation may be granted to executive officers pursuant to the 2017 Plan, at the discretion of the Board.

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer and one other highest paid individual whose total annual salary and bonus exceeded $100,000 for fiscal years 2018 and 2017.

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Other ($)	Total ($)
Andrew Hidalgo	2018	-	-	-	-	78,000(1)	78,000
Chief Executive Officer	2017	-	-	-	-	184,000(1)	184,000
Matthew Hidalgo	2018	150,000	-	-	-	150,000	150,000
Chief Financial Officer	2017	-	-	-	-	184,000(1)	184,000

(1) Represents management fees paid to Turquino Equity LLC, of which Messrs. Hidalgo are managing partners.

Option/SAR Grants in Fiscal Year Ended December 31, 2018

None.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information for the named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options, as well as the exercise prices and expiration dates thereof, as of December 31, 2018.

Name	Number of Securities underlying Unexercised Options (#) Exercisable (1)	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Andrew Hidalgo	-	200,000	$ 0.01	3/10/2026
Matthew Hidalgo	-	200,000	$ 0.01	3/10/2026
James Strizki	-	100,000	$ 0.01	3/10/2026

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

On September 1, 2017, we entered into employment agreements (the "Agreements") with Andrew Hidalgo to serve as our President and Chief Executive Officer and Matthew Hidalgo to serve as our Chief Financial Officer. The Agreements are effective as of the date that Messrs. Hidalgo and Hidalgo, either directly or indirectly (including through Turquino Equity LLC and any other entity affiliated with Messrs. Hidalgo and Hidalgo) are no longer entitled to receive compensation from The Pride Group (Qld) Pty Ltd., a wholly-owned subsidiary, or any other subsidiary, direct or indirect, of our company. Effective January 2018, Mr. Matthew Hidalgo started to receive salary, while Mr. Andrew Hidalgo continues to receive compensation through Turquino Equity LLC.

The Agreements have a term of five years. Upon each one year anniversary, the Agreements will automatically renew for another five years from the anniversary date. The base salary under the Agreements is $156,000 and $150,000 per annum for Andrew Hidalgo and Matthew Hidalgo, respectively, however Andrew Hidalgo was only paid $78,000 in management disbursements through Turquino Equity. In addition, Messrs. Hidalgo and Hidalgo are entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Director Compensation

There was no compensation paid to non-employee directors for the year ended December 31, 2018.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 25, 2019:

- by each person who is known by us to beneficially own more than 5% of our common stock;
- by each of our officers and directors; and
- by all of our officers and directors as a group.

Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person's address is c/o H/Cell Energy Corporation, 3010 LBJ Freeway, Suite 1200 Dallas, TX 75234.

NAME OF OWNER	TITLE OF CLASS	NUMBER OF SHARES OWNED (1)	PERCENTAGE OF COMMON STOCK (2)
Andrew Hidalgo	Common Stock	4,190,000(3)	50.66%
Matthew Hidalgo	Common Stock	3,640,000(4)	47.14%
Paul Benis	Common Stock	444,445(5)	5.83%
James Strizki	Common Stock	800,000(6)	10.43%
Mike Strizki	Common Stock	750,000	9.84%
Charles Benton	Common Stock	57,400(6)	*
Michael Doyle	Common Stock	397,636(7)	4.99%
Officers and Directors as a Group (7 persons)	Common Stock	6,739,481(8)	76.42%
Stephen Paul Mullane and Marie Louise Mullane as Trustees of the Mullane Family Trust	Common Stock	760,000	9.97%
Turquino Equity LLC (9)	Common Stock	3,540,000	46.45%
Karim Rezaul	Common Stock	726,316	9.53%
Benis Holdings LLC (10)	Common Stock	444,445	5.83%
Triton Funds LP (11)	Common Stock	841,955(12)	9.99%

(1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of March 25, 2019 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) Percentage based upon 7, 621 ,024 shares of common stock issued and outstanding as of March 25, 2019.

(3) Includes (i) 550,000 shares of common stock issuable upon conversion of two outstanding convertible debentures, (ii) 100,000 shares of common stock underlying options which are currently exercisable and (iii) 3,540,000 shares of common stock owned by Turquino Equity LLC. Andrew Hidalgo, as a Managing Partner of Turquino Equity, has voting and dispositive power over the shares held by such entity, and is therefore deemed a beneficial owner of such shares.

(4) Represents (i) 100,000 shares of common stock underlying options which are currently exercisable and (ii) 3,540,000 shares of common stock owned by Turquino Equity LLC. Matthew Hidalgo, as a Managing Partner of Turquino Equity, has voting and dispositive power over the shares held by such entity, and is therefore deemed a beneficial owner of such shares.

(5) Represents shares of common stock owned by Benis Holdings LLC. Paul Benis, as Managing Member of Benis Holdings LLC, has voting and dispositive power over the shares held by such entity, and is therefore deemed a beneficial owner of such shares.

(6) Includes 50,000 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days.

(7) Includes (i) 50,000 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and (ii) 332,636 shares of common stock issuable upon conversion of two outstanding convertible debentures. The number of shares that may be beneficially owned under the convertible debentures is subject to a 4.99% beneficial ownership limitation provision in the convertible debentures, and as such, the total number of shares issuable upon conversion of the convertible debentures is greater than the number of shares beneficially owned.

(8) Includes (i) 882,636 shares of common stock issuable upon conversion of outstanding convertible debentures, (ii) 350,000 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days, (iii) 3,540,000 shares of common stock owned by Turquino Equity LLC, and (iv) 444,445 shares of common stock owned by Benis Holdings LLC.

(9) Andrew Hidalgo and Matthew Hidalgo, as Managing Partners of Turquino Equity, have voting and dispositive power over the shares held by such entity, and are therefore deemed beneficial owners of such shares.

(10) Paul Benis, as Managing Member of Benis Holdings LLC, has voting and dispositive power over the shares held by such entity, and is therefore deemed a beneficial owner of such shares.

(11) Yash Thukral, Sam Yaffa, and Nathan Yee have voting and dispositive power over the shares prospectively held by such entity, and are therefore deemed a beneficial owner of such shares.

(12) Includes 35,000 shares of common stock owned by the entity's manager, and 806,955 shares that may be acquired pursuant to the equity purchase agreement, dated March 12, 2019. The number of shares that may be beneficially owned under the equity purchase agreement is subject to a 9.99% beneficial ownership limitation provision, and as such, the total number of shares issuable pursuant to the equity purchase agreement is greater than the number of shares beneficially owned.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Other than as disclosed below, during the last two fiscal years, there have been no transactions, or proposed transactions, in which our company was or is to be a participant where the amount involved exceeds the lesser of $120,000 or one percent of the average of our company's total assets at year-end and in which any director, executive officer or beneficial holder of more than 5% of the outstanding common, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest. We have no policy regarding entering into transactions with affiliated parties.

In June 2016, we entered into a contract with Rezaul Karim, one of our former directors, for the installation of an HC-1 system. The system installation was complete pending any change orders as of December 31, 2018, and generated $31,789 and $85,919 of revenue for the years ended December 31, 2018 and 2017, respectively. We subcontracted the installation of the system to Renewable Energy Holdings LLC ("REH"), a company owned by Mike Strizki, one of our executive officers. James Strizki, one of our executive officers, is vice president of operations at REH. Costs incurred for REH were $31,617 and $87,649 for the years ended December 31, 2018 and 2017, respectively.

In September 2018, we entered into a contract with Steve Mullane, the Executive General Manager of Pride, for a solar installation. The system installation was complete as of December 31, 2018 and generated $8,759 of revenue in 2018 along with costs of $8,759.

On January 31, 2017, we entered into a share exchange agreement (the "Exchange Agreement") by and among us, Pride, Turquino Equity LLC ("Turquino") and Stephen Paul Mullane and Marie Louise Mullane as Trustees of the Mullane Family Trust (the "Mullane Trust" and together with Turquino, the "Pride Shareholders"). Andrew Hidalgo and Matthew Hidalgo, our Chief Executive Officer and Chief Financial Officer, respectively, are each a managing partner of Turquino. During 2017, Turquino had an arrangement with Pride for a monthly management fee of AUD $20,000. Effective January 2018, Turquino amended its arrangement with Pride to now pay the management fee directly to the Company from which the Company pays Turquino $6,500 USD per month (from which Mr. Andrew Hidalgo continues to receive compensation), and Mr. Matthew Hidalgo started to receive salary directly from us.

Pursuant to the Exchange Agreement, we acquired all of the issued and outstanding capital stock of Pride from the Pride Shareholders in exchange for an aggregate of 3,800,000 shares of our common stock (the "Acquisition Shares"). Turquino received 3,040,000 of the Acquisition Shares.

On April 1, 2017, we entered into a consulting agreement with Rezaul Karim for a period of one year. As such his function will be to promote our products and services. In April 2017 and 2018, Rezaul Karim exercised 100,000 options.

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our articles of incorporation and bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of our company, arising out of such person's services as a director or executive officer of ours, any subsidiary of ours or any other company or enterprise to which the person provided services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees . The aggregate fees billed by our independent auditors, for professional services rendered for the audit of our annual financial statements for the years ended December 31, 2018 and 2017, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years were $53,510 and $25,500, respectively.

Audit Related Fees . We incurred $60,050 for audit related fees and other services during the fiscal year ended December 31, 2018 and $43,225 during year ended December 31, 2017.

Tax and Other Fees . We did not incur any fees from our independent auditors for tax or other services during the fiscal years ended December 31, 2018 and 2017.

The Board of Directors has considered whether the provision of non-audit services is compatible with maintaining the principal accountant's independence.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) *List of Documents Filed as a Part of This Report:*

Index to Consolidated Financial Statements	F-1
Report of Independent Registered Public Accounting Firm	F-2
Balance sheets as of December 31, 2018 and 2017	F-3
Statements of operations – other comprehensive income for the years ended December 31, 2018 and December 31, 2017	F-4
Statements of stockholders' equity the years ended December 31, 2018 and 2017	F-5
Statements of cash flows for the years ended December 31, 2018 and 2017	F-6
Notes to financial statements	F-7

(b) *Index to Financial Statement Schedules:*

All schedules have been omitted because the required information is included in the consolidated financial statements or the notes thereto, or is not applicable or required.

(c) *Index to Exhibits*

The Exhibits listed below are identified by numbers corresponding to the Exhibit Table of Item 601 of Regulation S-K. The Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed pursuant to Item 15.

Exhibit No.	Description
3.01	Articles of Incorporation of the Company, filed with the Nevada Secretary of State on August 17, 2015, filed as an exhibit to the Registration Statement on Form S-1, filed with the Securities and Exchange Commission (the "Commission") on June 29, 2016 and incorporated herein by reference.
3.02	Certificate of Correction to the Articles of Incorporation of the Company, filed with the Nevada Secretary of State on August 18, 2015, filed with the Nevada Secretary of State on August 18, 2015, filed as an exhibit to the Registration Statement on Form S-1, filed with the Commission on June 29, 2016 and incorporated herein by reference.
3.03	Bylaws of the Company, filed with the Nevada Secretary of State on August 18, 2015, filed as an exhibit to the Registration Statement on Form S-1, filed with the Commission on June 29, 2016 and incorporated herein by reference.
10.01	Form of Indemnification Agreement, filed as an exhibit to the Registration Statement on Form S-1, filed with the Commission on June 29, 2016 and incorporated herein by reference.
10.02*	2016 Incentive Stock Option Plan, filed as an exhibit to the Registration Statement on Form S-1, filed with the Commission on June 29, 2016 and incorporated herein by reference.
10.03*	Employment Agreement, dated September 1, 2017, by and between H/Cell Energy Corporation and Andrew Hidalgo, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on September 7, 2017 and incorporated herein by reference.
10.04*	Employment Agreement, dated September 1, 2017, by and between H/Cell Energy Corporation and Matthew Hidalgo, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on September 7, 2017 and incorporated herein by reference.

10.05 Form of Securities Purchase Agreement, dated January 2, 2018, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on January 4, 2018 and incorporated herein by reference.

10.06 Form of 12% Convertible Debenture, dated January 2, 2018, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on January 4, 2018 and incorporated herein by reference.

10.07 Form of Stock Purchase Agreement, by and among H/Cell Energy Corporation, PVBJ Inc. and Benis Holdings LLC, dated February 1, 2018, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on February 5, 2018 and incorporated herein by reference.

10.08* Form of Employment Agreement, by and between H/Cell Energy Corporation and Paul V. Benis, Jr., dated February 1, 2018, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on February 5, 2018 and incorporated herein by reference.

10.09 Form of Credit Agreement, dated August 21, 2018, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on August 24, 2018 and incorporated herein by reference.

10.10 Form of promissory note, dated August 21, 2018, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on August 24, 2018 and incorporated herein by reference.

10.11 Form of Securities Purchase Agreement, dated February 8, 2019, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on February 11, 2019 and incorporated herein by reference.

10.12 Form of 10% Convertible Debenture, dated February 8, 2019, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on February 11, 2019 and incorporated herein by reference.

10.13 Form of amendment, dated February 8, 2019, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on February 11, 2019 and incorporated herein by reference.

10.14 Form of Equity Purchase Agreement, by and between H/Cell Energy Corporation and the investor, dated March 12, 2019, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 15, 2019 and incorporated herein by reference.

10.15 Form of Registration Rights Agreement, by and between H/Cell Energy Corporation and the investor, dated March 12, 2019, filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 15, 2019 and incorporated herein by reference.

14.01 Code of Business Conduct and Ethics for Employees, Executive Officers and Directors, filed as an exhibit to the Annual Report on Form 10-K, filed with the Commission on March 24, 2017 and incorporated herein by reference.

21.01 List of Subsidiaries, filed as an exhibit to the Annual Report on Form 10-K, filed with the Commission on April 2, 2018 and incorporated herein by reference.

31.01 Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.02 Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.01 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from H/Cell Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

ITEM 16 – FORM 10-K SUMMARY

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

H/CELL ENERGY CORPORATION

Date: March 26, 2019	By: */s/ ANDREW HIDALGO* Andrew Hidalgo Chief Executive Officer (Principal Executive Officer)
Date: March 26, 2019	By: */s/ MATTHEW HIDALGO* Matthew Hidalgo Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
/s/ ANDREW HIDALGO Andrew Hidalgo	Director	March 26, 2019
/s/ MICHAEL A. DOYLE Michael A. Doyle	Director	March 26, 2019
/s/ CHARLES F. BENTON Charles F. Benton	Director	March 26, 2019

Exhibit 31.01

CERTIFICATION

I, Andrew Hidalgo, certify that:

1. I have reviewed this annual report on Form 10-K of H/Cell Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 26, 2019

/s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

Exhibit 31.02

CERTIFICATION

I, Matthew Hidalgo, certify that:

1. I have reviewed this annual report on Form 10-K of H/Cell Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 26, 2019

/s/ MATTHEW HIDALGO

Matthew Hidalgo
Chief Financial Officer

Exhibit 32.01

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Hidalgo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of H/Cell Energy Corporation on Form 10-K for the fiscal year ended December 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of H/Cell Energy Corporation.

	By:	*/s/ ANDREW HIDALGO*
Date: March 26, 2019	Name:	Andrew Hidalgo
	Title:	*Chief Executive Officer*

I, Matthew Hidalgo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of H/Cell Energy Corporation on Form 10-K for the fiscal year ended December 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of H/Cell Energy Corporation.

	By:	*/s/ MATTHEW HIDALGO*
Date: March 26, 2019	Name:	Matthew Hidalgo
	Title:	*Chief Financial Officer*