眾誠能源

UNITED STRENGTH POWER HOLDINGS LIMITED
眾誠能源控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2337)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 21.6% to RMB215.4 million (2016: approximately RMB274.6 million).
- Profit attributable to equity shareholders of the Company was RMB7.4 million (2016: approximately RMB34.2 million).
- Basic earnings per share amounted to RMB3.95 cents (2016: RMB19.44 cents).
- The Board proposed a final dividend of HK$0.05 per share.

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), hereby announces the audited consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for 2016 as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2017
(Expressed in Renminbi ("RMB")

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

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017
(Expressed in RMB)

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

Consolidated statement of financial position
At 31 December 2017
(Expressed in RMB)

		At 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**51,230**	57,193
Lease prepayments		**44,129**	45,506
Deferred tax assets		**2,974**	5,336
		98,333	108,035
Current assets			
Inventories		**1,311**	1,648
Trade receivables	*8*	**1,113**	700
Prepayments, deposits and other receivables		**14,161**	20,182
Amounts due from related parties		**–**	49,098
Income tax recoverable		**929**	130
Cash and cash equivalents		**145,524**	25,616
		163,038	97,374
Current liabilities			
Bank loans		**15,000**	15,000
Trade payables	*9*	**1,391**	1,990
Accrued expenses and other payables		**19,830**	31,111
Amounts due to related parties		**–**	8,319
Income tax payable		**1,994**	1,302
		38,215	57,722

Consolidated statement of financial position *(continued)*
At 31 December 2017
(Expressed in RMB)

		At 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Net current assets		**124,823**	39,652
Total assets less current liabilities		**223,156**	147,687
Non-current liabilities			
Deferred tax liabilities		**7,998**	5,034
NET ASSETS		**215,158**	142,653
CAPITAL AND RESERVES			
Share capital	*10*	**19,794**	–
Reserves		**188,827**	137,404
Total equity attributable to equity shareholders of the Company		**208,621**	137,404
Non-controlling interests		**6,537**	5,249
TOTAL EQUITY		**215,158**	142,653

Notes

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

United Strength Power Holdings Limited (the "Company") was incorporated in the Cayman Islands on 19 December 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2017. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the sale of natural gas to vehicular end-users by operating refuelling stations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

Prior to the incorporation of the Company, the Group's business were conducted through Changchun Sinogas Company, Ltd. ("Changchun Sinogas") and certain of the then subsidiaries of Changchun Yitonghe Petroleum Distribution Company Limited ("Changchun Yitonghe"), both of which were owned as to 74% by Mr Zhao Jinmin. Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed on 15 March 2017 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were controlled by Mr Zhao Jinmin and owned by Mr Zhao Jinmin and other equity shareholders in the same proportionate interest before and after the Reorganiation, there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting the newly formed entities with no substantive operations as the new holding companies of the companies now comprising the Group. Accordingly, the consolidated financial statements for the years ended 31 December 2017 and 2016 have been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

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

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

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

(c) Changes in accounting policies

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

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sale of natural gas to vehicular end-users by operating refuelling stations. Given the retail nature of the Group's business, the directors of the Company consider that the Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

(b) Segment reporting

The Group manages its business mainly in a single segment, namely the sale of natural gas to vehicular end-users by operating refuelling stations business. Accordingly, no operating segment information is presented.

All of the Group's customers patronised at the Group's operations carried out in the People's Republic of China (the "PRC"). The Group's non-current assets, including property, plant and equipment and lease prepayments are all located in the PRC.

4. OTHER INCOME

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

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

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

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

(b) Staff costs:

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

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

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

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

(c) Other items:

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

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

Notes:

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

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

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

(iv) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2017 (2016: 15%).

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

7. EARNINGS PER SHARE

(a) Basic earnings per share

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

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

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

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

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

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

(b) Diluted earnings per share

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

8. TRADE RECEIVABLES

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

(a) Ageing analysis

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

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

(b) Trade receivables that are not impaired

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

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

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

9. TRADE PAYABLES

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

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

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

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

10. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

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

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

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

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

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

(b) Share capital

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

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

(i) Authorised share capital

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

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

(ii) Issuance of shares

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

On 16 March 2017, 999 shares of HK$0.1 each were allotted and issued by the Company for an aggregate subscription price of HK$22,800,000 (equivalent to approximately RMB20,000,000), credited as fully paid.

(iii) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 21 September 2017, the Company allotted and issued a total of 175,875,000 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company on the completion of the initial public offering by way of capitalisation of the sum of HK$17,587,500 (equivalent to approximately RMB14,849,000) standing to the credit of the share premium account of the Company, and these shares rank pari passu in all respects with the shares in issue.

(iv) Issuance of shares by initial public offering

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

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

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

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

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

2. BUSINESS REVIEW

The Group is a leading vehicle CNG refuelling station operator in Jilin Province, the PRC. As at 31 December 2017, we operated a total of 24 CNG refuelling stations in Northeast China. In addition to operation of CNG refuelling stations, we also generated a portion of our total revenue from (i) the operation of LPG and LNG refuelling stations and (ii) the ancillary business of wholesale of CNG and LPG. The table below shows the location of and product offer at our refuelling stations as at 31 December 2017:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	12	0	0	12
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	2	0	0	2
Helong City, Jilin Province	0	1	0	1
Longjing City, Jilin Province	1	1	0	2
Yanji City, Jilin Province	2	1	1	4
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	0	0	1
Siping City, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	**23**	**4**	**1**	**28**
Wuchang City, Heilongjiang Province	0	1	0	1
Jixi City, Heilongjiang Province	1	0	0	1
Total station(s) in Heilongjiang Province	**1**	**1**	**0**	**2**
Total:	**24**	**5**	**1**	**30**

Operating Results

Revenue

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

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

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

Cost of Sales and Gross Profit

The Group's cost of sales primarily represents all costs of purchase of CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and condition. In 2017, the Group's cost of sales decreased by approximately 27.9% to RMB135.3 million from RMB187.6 million in 2016 due to the combination of (i) the decrease in the unit cost of procurement; and (ii) the decrease in total purchase of the products as a result of the decrease in sales volume of Company's products during 2017.

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

Other Income

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

Staff Costs

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

Operating Lease Charges, Other Operating Expenses and Finance Costs

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

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

Finance costs remained stable.

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

Profit before Tax

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

Income Tax Expenses

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

Non-controlling Interests

In 2017, non-controlling interests amounted to RMB1.1 million, representing an increase of RMB0.7 million, or 175.0%, from RMB0.4 million in 2016 primarily due to an increase in profit contribution from the refuelling stations under Jilin Clean Energy.

Profit for the Year

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

FINANCIAL RESOURCES AND LIQUIDITY

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

Bank Balances and Cash

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

Capital Expenditure

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

Borrowings

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

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

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

Use of proceeds

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

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

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

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

Pledge of Assets

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

Contingent Liabilities

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

Human Resources

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

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

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

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

Foreign Exchange Risk Management

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

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

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

3. BUSINESS PROSPECTS

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

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

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

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

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

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

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of HK$0.05 per ordinary share in respect of the year ended 31 December 2017, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 5 July 2018 to shareholders whose names appear on the Register of Member of the Company on 20 June 2018.

Closure of Register of Members

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

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

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2017.

Audit Committee

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2017, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

Purchase, Sale or Redemption of Listed Securities

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

Sufficiency of Public Float

Since the date of Listing and up to the date of this announcement, the Company has maintained a sufficient public float.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the Laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Scope of Work of the Auditor

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's auditor on the preliminary announcement.

Important Events That Have Occurred since the End of 2017

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

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

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

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

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

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.united-strength.com). The annual report for the financial year ended 31 December 2017 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

Appreciation

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

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

Hong Kong, 26 March 2018

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Zhao Jinmin, Mr. Liu Yingwu, Mr. Wang Qingguo and Mr. Xu Huilin, and three independent non-executive Directors, being Ms. Su Dan, Mr. Yu Chen and Mr. Lau Ying Kit.