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 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 16% to RMB403.2 million (2018: approximately RMB348.2 million).
- Profit attributable to equity shareholders of the Company was RMB35.6 million (2018: approximately RMB43.0 million).
- Basic earnings per share amounted to RMB0.15 (2018: RMB0.18).
- The Board proposed a final dividend of HK$20 million for the year ended 31 December 2019. Shareholders will receive a dividend of HK$0.0853 per ordinary 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 2019, together with the comparative figures for 2018 as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

	Note	**2019** **RMB'000**	2018 RMB'000 (Note)
Revenue	*3*	**403,248**	348,166
Cost of sales		**(226,746)**	(199,320)
Gross profit	*3(b)*	**176,502**	148,846
Other income	*4*	**8,361**	7,556
Staff costs		**(50,517)**	(44,234)
Depreciation expenses		**(29,685)**	(16,989)
Operating lease charges		**(232)**	(8,115)
Other operating expenses		**(45,505)**	(27,952)
Profit from operations		**58,924**	59,112
Share of profits of a joint venture		**1,023**	–
Finance costs		**(6,685)**	(619)
Profit before taxation	*5*	**53,262**	58,493
Income tax	*6*	**(17,569)**	(14,946)
Profit for the year		**35,693**	43,547
Attributable to:			
Equity shareholders of the Company		**35,642**	42,971
Non-controlling interests		**51**	576
Profit for the year		**35,693**	43,547
Earnings per share			
– Basic and diluted *(RMB)*	*7*	**0.15**	0.18

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

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019
(Expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**35,693**	43,547
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**1,352**	7,079
Total comprehensive income for the year	**37,045**	50,626
Attributable to:		
Equity shareholders of the Company	**36,994**	50,050
Non-controlling interests	**51**	576
Total comprehensive income for the year	**37,045**	50,626

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

Consolidated statement of financial position
At 31 December 2019
(Expressed in RMB)

		At 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Note)
Non-current assets			
Property, plant and equipment		**157,487**	73,791
Lease prepayments		**–**	44,937
Interest in a joint venture	*8*	**77,556**	–
Deferred tax assets		**1,742**	1,601
		236,785	120,329
Current assets			
Inventories		**1,615**	2,336
Trade receivables	*9*	**9,198**	3,724
Prepayments, deposits and other receivables	*10*	**122,260**	68,690
Income tax recoverable		**338**	325
Cash and cash equivalents		**57,474**	127,918
		190,885	202,993
Current liabilities			
Bank loans		**25,000**	25,000
Trade payables	*11*	**4,576**	4,922
Accrued expenses and other payables		**23,159**	23,297
Lease liabilities		**14,512**	–
Income tax payable		**9,172**	6,974
		76,419	60,193
Net current assets		**114,466**	142,800
Total assets less current liabilities		**351,251**	263,129

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

Consolidated statement of financial position *(continued)*
At 31 December 2019
(Expressed in RMB)

		At 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Note)
Non-current liabilities			
Bank loans	*12*	**43,925**	–
Lease liabilities		**26,790**	–
Deferred tax liabilities		**5,774**	7,661
		76,489	7,661
NET ASSETS		**274,762**	255,468
CAPITAL AND RESERVES			
Share capital	*13*	**19,794**	19,794
Reserves		**248,555**	229,026
Total equity attributable to equity shareholders of the Company		**268,349**	248,820
Non-controlling interests		**6,413**	6,648
TOTAL EQUITY		**274,762**	255,468

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

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 and provision of petroleum and gas transportation services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in a joint venture.

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

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

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

(c) Changes in accounting policies

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

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

IFRS 16, *Leases*

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

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

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

	Carrying amount at 31 December 2018	**Capitalisation and reclassification of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	73,791	100,354	174,145
Lease prepayments	44,937	(44,937)	–
Total non-current assets	**120,329**	**55,417**	**175,746**
Prepayments, deposits and other receivables	68,690	(4,965)	63,725
Total current assets	**202,993**	**(4,965)**	**198,028**
Lease liabilities (current)	–	7,508	7,508
Total current liabilities	**60,193**	**7,508**	**67,701**
Total assets less current liabilities	**263,129**	**42,994**	**306,073**
Lease liabilities (non-current)	–	42,994	42,994
Total non-current liabilities	**7,661**	**42,994**	**50,605**
Net assets	**255,468**	**–**	**255,468**

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

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

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

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

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

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

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

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 and provision of petroleum and gas transportation services.

Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

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

The measure used for reporting segment is gross profit. The Group's other income, staff costs, depreciation expenses, operating lease charges, other operating expenses and share of profits of a joint venture, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

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

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

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

	2019	2018
	RMB'000	*RMB'000*
		(Note)
Revenue		
Reportable segment revenue	**419,826**	362,887
Elimination of inter-segment revenue	**(16,578)**	(14,721)
Consolidated revenue *(Note 3(a))*	**403,248**	348,166
Profit		
Reportable segment profit (gross profit)	**176,502**	148,846
Other income	**8,361**	7,556
Staff costs	**(50,517)**	(44,234)
Depreciation expenses	**(29,685)**	(16,989)
Operating lease charges	**(232)**	(8,115)
Other operating expenses	**(45,505)**	(27,952)
Share of profits of a joint venture	**1,023**	-
Finance costs	**(6,685)**	(619)
Consolidated profit before taxation	**53,262**	58,493

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

(iii) *Geographic information*

All of the Group's customers patronised at the Group's operations carried out in the People's Republic of China (the "**PRC**"). The Group's property, plant and equipment are all located and the location of operations of the Group's joint venture is in the PRC.

4. OTHER INCOME

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

5. PROFIT BEFORE TAXATION

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

(a) Finance costs:

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

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

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

(b) Staff costs:

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

(c) **Other items:**

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

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

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

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

7. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

8. INTEREST IN A JOINT VENTURE

On 31 January 2019, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with a third party to acquire the entire issued share capital of Silver Spring Green Energy Limited ("Silver Spring Green") of which operation is solely to hold 30% equity interests in China Travel Service International Financial Leasing Company Limited ("CTS Financial Leasing"), at a consideration of HK$84,500,000 (equivalent to approximately RMB74,259,000). The consideration comprised of cash of HK$18,902,000 (equivalent to approximately RMB16,611,000) and the assumption of a shareholder's loan of HK$65,598,000 (equivalent to approximately RMB57,648,000). The acquisition related costs amounted to RMB864,000.

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

9. TRADE RECEIVABLES

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

All of the trade receivables are expected to be recovered within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

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

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

At 31 December 2019, the Group's prepayments, deposits and other receivables mainly represented these deposits made to LNG, LPG and related chemical products suppliers to secure the supply of the related products for irrevocable sales orders placed by customers with the Group arising from the Group's trading of LPG, LNG and related chemical products business.

11. TRADE PAYABLES

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

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

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

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

12. BANK LOANS

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

13. DIVIDENDS

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

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

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

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

China's natural gas vehicle ownership has ranked first in the world for consecutive years, and the total number of natural gas refuelling stations has exceeded 9,000. Benefitting from the continuous advances in technology and the launch of favorable policies, China's natural gas vehicle industry has developed rapidly in recent years. Vigorous development of natural gas fuelled vehicles, acceleration in the construction of natural gas refuelling stations and improvements in natural gas utilization are also among the strategic requirements to promote energy structure adjustment and market development. With the continuous tightening of national environmental protection policies, the natural gas vehicle industry is well positioned for future development, largely stimulating natural gas consumption in natural gas refuelling stations.

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

2. BUSINESS AND FINANCIAL REVIEW

Our Group is a leading operator of CNG refuelling stations for vehicles in Jilin Province of China. We run 22 CNG refuelling stations in Northeastern China as at 31 December 2019. Apart from the gas refuelling stations, we have also diversified into the transportation of liquefied petroleum gas and petroleum by relying on the powerful transportation capability of a wholly owned subsidiary of the Group, Jilin Province Jieli Logistics Company Limited ("**Jieli Logistics**"), which has brought good returns and is expected to have room for growth in the future.

Sales of natural gas business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For 2019, the Group recorded the sales of natural gas income of RMB328.2 million, representing a year-on-year growth of 14% and accounted for 81% of the total revenue of the same year. During the year, the sales volume of CNG reached 74.8 million cubic meters (2018: 66.7 million cubic meters), representing an increase of 12% as compared with last year. The increase in sales volume was mainly due to more marketing campaigns were carried out to stimulate the sales during a year.

The table below shows the location of and product offering at our refuelling stations as at 31 December 2019:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	12	0	1	13
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	1	0	0	1
Helong City, Jilin Province	0	1	0	1
Longjing City, Jilin Province	1	0	0	1
Yanji City, Jilin Province	2	0	1	3
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Antu, Jilin Province	0	0	1	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	0	0	1
Siping City, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	**22**	**2**	**3**	**27**
Wuchang City, Heilongjiang Province	0	1	0	1
Total station(s) in Heilongjiang Province	**0**	**1**	**0**	**1**
Dandong City, Liaoning Province	0	0	1	1
Total station(s) in Liaoning Province	**0**	**0**	**1**	**1**
Total:	**22**	**3**	**4**	**29**

Provision of transportation services

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

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

During the reporting period, United Strength Power International Limited, a wholly-owned subsidiary of the Group, completed the acquisition of all the equity interests of Silver Spring Green Energy Limited ("**Silver Spring**") which is the holder of 30% equity interests in China Travel Service International Financial Leasing Company Limited ("**CTS Financial Leasing**"). By becoming a beneficial owner of CTS Financial Leasing which engages in the financial leasing business, it would provide a more favourable financial platform which could provide necessary and cost-efficient financial support to the Group for its potential expansion in the potential new business in future. For details, please refer to the announcement of the Company dated 31 January 2019.

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

Operating Results

Revenue

The Group's principal business activities are sales of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services. For 2019, the Group's revenue amounted to RMB403.2 million, representing an increase of RMB55.0 million or 16% from RMB348.2 million in 2018. The increase in revenue was mainly attributable to the increase in the sales volume of the natural gas by operating refuelling stations.

Cost of Sales and Gross Profit

The Group's cost of sales primarily represents all costs of purchase of CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and transportation costs. In 2019, the Group's cost of sales increased by 14% to RMB226.7 million from RMB199.3 million in 2018 due to the combination of (i) the increase in the unit cost of procurement; and (ii) the increase in total purchase of the products as a result of the increase in sales volume of Company's products during 2019.

The gross profit for 2019 was RMB176.5 million (2018: RMB148.8 million), with a gross profit margin of 44% (2018: 43%). The gross profit was relatively stable compared with that of the previous year.

Other Income

Other income mainly comprises rental income, management fee and foreign exchange losses. For 2019, other income amounted to RMB8.4 million, representing an increase of RMB0.8 million from RMB7.6 million in 2018.

Staff Costs

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

Operating Lease Charges, Other Operating Expenses and Finance Costs

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

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

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

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

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

Share of Profits of a Joint Venture

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

Profit before Tax

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

Income Tax Expenses

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

Profit for the Year

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

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2019. Total assets increased by 32% to RMB427.7 million (31 December 2018: RMB323.3 million) while total equity increased by 8% to RMB274.8 million (31 December 2018: RMB255.5 million).

Bank Balances and Cash

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

Capital Expenditure

Capital expenditure to owned property, plant and equipment for the year ended 31 December 2019 amounted to RMB24.1 million and our Group's capital commitments as at 31 December 2019 amounted to RMB21.6 million. Both the capital expenditure and capital commitments mainly related to the purchases of plant and equipment. The Group anticipates that funding for those commitments will come from the proceeds from initial public offerings ("**IPO**"), future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2019 and 2018 are summarised below:

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

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

Use of proceeds

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

	Original allocation	**Revised allocation**	**Utilization as at 31 December 2019**	**Remaining balance as at 31 December 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance the expansion of the CNG refuelling station network	104,000	19,500	19,015	485
Strengthen the marketing and promotion strategies	5,800	5,800	1,706	4,094
General working capital	5,800	5,800	5,800	–
Establishment of an industry merger and acquisition fund	–	50,000	–	50,000
Acquisition of the Silver Spring Green Energy and assignment of the shareholder's loan	–	34,500	34,500	–
Total	115,600	115,600	61,021	54,579

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

Pledge of Assets

As at 31 December 2019, the Group's bank loan of RMB25 million was secured by property, plant and equipment and land use rights of the Group with an aggregate carrying value of approximately RMB15.9 million. The Group's bank loan of HK$50 million was secured by the equity interest of Silver Spring and personally guaranteed by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, executive director and chairman of the Board of the Company, and Ms. Ji Yuanyuan (姬媛媛女士) ("**Ms. Ji**"), the spouse of Mr. Zhao.

Contingent Liabilities

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

Human Resources

As at 31 December 2019, the Group had 540 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the share option scheme on 21 September 2017 (the "**Share Option Scheme**"), under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2019, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

On 31 January 2019, United Strength Power International Limited ("**United Strength BVI**"), as purchaser, Wang Jiawei (王嘉偉) as vendor and Wang Jiantao (王健濤) as guarantor of the Vendor, entered into the sales and purchase agreement, pursuant to which United Strength BVI acquired the entire issued share capital of Silver Spring and accepted the assignment of the shareholder's loan at the total consideration of HK$84,500,000. For the details of the above transaction, please refer to the Company's announcement dated 31 January 2019. The acquisition was completed on 31 March 2019.

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

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

Foreign Exchange Risk Management

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

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

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

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

Inability to Control Costs

Natural gas is the most important raw material for our gas refuelling station business and constitutes a majority of our cost of sales. Our cost of sales and gross profit margin are directly affected by the fluctuations of the purchase price of natural gas.

The purchase price of natural gas depends on a range of factors, including among others, the market demand and supply of natural gas, the Urban Gate Station Price set by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), development of shale mining and alternative energy and the price trend of international crude oil. If we are unable to pass on the impact of the increase in purchase prices of natural gas to our customers by adjusting our retail selling price in a timely manner due to price competition with other refuelling station operators which manage to procure natural gas at lower costs, or if we misjudge the extent of adjustment of retail price at our refuelling stations, the Group's profit will be materially and adversely affected.

Supply Risk

A majority of the vehicle natural gas supply for natural gas refuelling stations operators relies on midstream natural gas processors which generally rely on the upstream supply. Vehicle natural gas refuelling station operators with limited bargaining power have to bargain for the gas price and supply with more sizeable gas suppliers in order to maintain their daily operation. Our suppliers may also occasionally encounter shortage of gas supply and may not be able to provide sufficient gas to us pursuant to the gas supply framework agreements, especially in time of significant fluctuation of fuel price in the market.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

3. BUSINESS PROSPECTS

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

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

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

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

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

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$0.0853 per ordinary share in respect of the year ended 31 December 2019, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 27 July 2020 to shareholders whose names appear on the register of members of the Company on 6 July 2020.

Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on 24 June 2020. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2020.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Thursday, 9 July 2020 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Wednesday, 1 July 2020 to Monday, 6 July 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 30 June 2020.

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 2019, except the following:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that held on 6 June 2019 respectively due to their overseas commitments.

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), Ms. Su Dan and Mr. Zhang Zhifeng, 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 2019, 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 2019.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, 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 2019 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.

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 2019 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, 25 March 2020

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