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

INTERIM REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Lo Wai Kit, *ACCA, FCPA, CFA*

AUTHORIZED REPRESENTATIVES

Mr. Xu Huilin
Mr. Lo Wai Kit

MEMBERS OF AUDIT COMMITTEE

Mr. Lau Ying Kit *(Chairman)*
Ms. Su Dan
Mr. Zhang Zhifeng

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

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Wing Lung Bank Limited
China Construction Bank
Industrial and Commercial Bank of China

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STOCK CODE

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FINANCIAL HIGHLIGHTS

	Notes	Six months ended 30 June **2019** **RMB'000** **(unaudited)**	 2018 RMB'000 (unaudited)
Revenue		**194,954**	159,152
Gross profit		**79,573**	64,183
Profit for the period		**18,663**	16,752
Profit attributable to equity shareholders of the Company		**18,693**	16,358
Gross profit margin		**41%**	40%
Earning per share			
— Basic & Diluted (RMB)		**0.08**	0.07

		At 30 June **2019** **RMB'000** **(unaudited)**	At 31 December 2018 RMB'000 (audited)
Total assets		**422,625**	323,322
Net assets		**256,365**	255,468
Liquidity and Gearing			
Current ratio	*1*	**2.23**	3.37
Quick ratio	*2*	**2.21**	3.33
Gearing ratio	*3*	**39%**	21%

Notes:

1. *Current ratio is calculated as current assets divided by current liabilities.*
2. *Quick ratio is calculated as current assets less inventories divided by current liabilities.*
3. *Gearing ratio is calculated as total liabilities divided by total assets.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited (Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2019** **RMB'000**	2018 RMB'000 *(Note)*
Revenue	*4(a)*	**194,954**	159,152
Cost of sales		**(115,381)**	(94,969)
Gross profit	*4(b)*	**79,573**	64,183
Other income	*5*	**5,857**	3,587
Staff costs	*6(b)*	**(25,231)**	(21,139)
Depreciation expenses	*6(c)*	**(14,577)**	(8,025)
Operating lease charges	*6(c)*	**–**	(3,254)
Other operating expenses		**(16,900)**	(12,540)
Profit from operations		**28,722**	22,812
Share of profits of a joint venture		**1,363**	–
Finance costs	*6(a)*	**(2,900)**	(363)
Profit before taxation	*6*	**27,185**	22,449
Income tax	*7*	**(8,522)**	(5,697)
Profit for the period		**18,663**	16,752
Attributable to:			
Equity shareholders of the Company		**18,693**	16,358
Non-controlling interests		**(30)**	394
Profit for the period		**18,663**	16,752
Earnings per share			
– Basic and diluted (RMB)	*8*	**0.08**	0.07

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 12 to 33 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Profit for the period	**18,663**	16,752
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**(15)**	625
Total comprehensive income for the period	**18,648**	17,377
Attributable to:		
Equity shareholders of the Company	**18,678**	16,983
Non-controlling interests	**(30)**	394
Total comprehensive income for the period	**18,648**	17,377

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 12 to 33 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited (Expressed in RMB)

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000 *(Note)*
Non-current assets			
Property, plant and equipment	*9*	**152,806**	73,791
Lease prepayments		**–**	44,937
Interest in a joint venture	*10*	**76,485**	–
Deferred tax assets	*16(b)*	**1,647**	1,601
		230,938	120,329
Current assets			
Inventories		**1,567**	2,336
Trade receivables	*11*	**11,779**	3,724
Prepayments, deposits and other receivables	*12*	**36,499**	68,690
Income tax recoverable		**403**	325
Cash and cash equivalents	*13*	**141,439**	127,918
		191,687	202,993
Current liabilities			
Bank loans	*14(a)*	**25,000**	25,000
Trade and bills payables	*15*	**2,934**	4,922
Accrued expenses and other payables		**27,826**	23,297
Dividend payables		**17,465**	–
Lease liabilities	*3(d)*	**5,205**	–
Income tax payable		**7,489**	6,974
		85,919	60,193
Net current assets		**105,768**	142,800
Total assets less current liabilities		**336,706**	263,129
Non-current liabilities			
Bank loans	*14(b)*	**43,529**	–
Lease liabilities	*3(d)*	**29,319**	–
Deferred tax liabilities	*16(b)*	**7,493**	7,661
		80,341	7,661
NET ASSETS		**256,365**	255,468

The notes on pages 12 to 33 form part of this interim financial report.

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 *(Note)*
CAPITAL AND RESERVES		
Share capital	**19,794**	19,794
Reserves	**230,239**	229,026
Total equity attributable to equity shareholders of the Company	**250,033**	248,820
Non-controlling interests	**6,332**	6,648
TOTAL EQUITY	**256,365**	255,468

Note: *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.*

The notes on pages 12 to 33 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	19,794	120,037	(4,717)	3,825	(290)	85,172	223,821	6,537	230,358
Changes in equity for the six months ended 30 June 2018:									
Profit for the period	–	–	–	–	–	16,358	16,358	394	16,752
Other comprehensive income for the period	–	–	–	–	625	–	625	–	625
Total comprehensive income	–	–	–	–	625	16,358	16,983	394	17,377
Dividends approved in respect of the previous year	–	–	–	–	–	(9,801)	(9,801)	–	(9,801)
Distributions paid by a subsidiary to non-controlling equity owners	–	–	–	–	–	–	–	(465)	(465)
Effect on equity arising from the acquisition of a subsidiary under common control	–	–	(15,250)	–	–	–	(15,250)	–	(15,250)
	–	–	(15,250)	–	–	(9,801)	(25,051)	(465)	(25,516)
Balance at 30 June 2018 and 1 July 2018	19,794	120,037	(19,967)	3,825	335	91,729	215,753	6,466	222,219
Changes in equity for the six months ended 31 December 2018:									
Profit for the period	–	–	–	–	–	26,613	26,613	182	26,795
Other comprehensive income for the period	–	–	–	–	6,454	–	6,454	–	6,454
Total comprehensive income	–	–	–	–	6,454	26,613	33,067	182	33,249
Balance at 31 December 2018 *(Note)*	19,794	120,037	(19,967)	3,825	6,789	118,342	248,820	6,648	255,468

Note: *The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.*

The notes on pages 12 to 33 form part of this interim financial report.

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	19,794	120,037	(19,967)	3,825	6,789	118,342	248,820	6,648	255,468
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	–	–	–	–	–	18,693	18,693	(30)	18,663
Other comprehensive income for the period	–	–	–	–	(15)	–	(15)	–	(15)
Total comprehensive income	–	–	–	–	(15)	18,693	18,678	(30)	18,648
Dividends approved in respect of the previous year *(Note 17(a))*	–	(17,465)	–	–	–	–	(17,465)	–	(17,465)
Distributions paid by a subsidiary to non-controlling equity owners	–	–	–	–	–	–	–	(286)	(286)
	–	–	–	–	–	–	–	(286)	(286)
Balance at 30 June 2019	19,794	102,572	(19,967)	3,825	6,774	137,035	250,033	6,332	256,365

The notes on pages 12 to 33 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited (Expressed in RMB)

		Six months ended 30 June	
	Note	**2019 RMB'000**	2018 RMB'000 *(Note)*
Operating activities			
Cash generated from/(used in) operations		**64,208**	(19,956)
Income tax paid		**(8,299)**	(3,267)
Net cash generated from/(used in) operating activities		**55,909**	(23,223)
Investing activities			
Payments for purchase of property, plant and equipment and land use rights		**(2,794)**	(15,250)
Payments for acquisition of an investment in a joint venture	*10*	**(71,617)**	(15,250)
Other cash flows arising from investing activities		**514**	196
Net cash used in investing activities		**(73,897)**	(30,304)
Financing activities			
Proceeds from a new bank loan		**43,119**	–
Capital element of lease rentals paid		**(9,205)**	–
Interest element of lease rentals paid		**(1,076)**	–
Other cash flows arising from financing activities		**(1,700)**	(828)
Net cash generated from/(used in) financing activities		**31,138**	(828)
Net increase/(decrease) in cash and cash equivalents		**13,150**	(54,355)
Cash and cash equivalents at 1 January	*13*	**127,918**	151,265
Effect of foreign exchange rate changes		**371**	(558)
Cash and cash equivalents at 30 June	*13*	**141,439**	96,352

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 12 to 33 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditors of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the board of directors of the Company is included on page 34.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 March 2019.

3 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 in this interim financial report. 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.

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to refuelling stations and land use rights as disclosed in Note 9.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(iii) Lessor accounting

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

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

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

(c) Transitional impact

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.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in Note 19(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Transitional impact (continued)

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

	Carrying amount at 31 December 2018 RMB'000	Capitalisation and reclassification of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	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
Current liabilities	**60,193**	**7,508**	**67,701**
Total assets less current liabilities	**263,129**	**42,944**	**306,073**
Lease liabilities (non-current)	–	42,944	42,944
Total non-current liabilities	**7,661**	**42,944**	**50,605**
Net assets	**255,468**	**–**	**255,468**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset carried at depreciated cost at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Land-use-rights	**43,226**	44,937
Refuelling stations and related assets	**33,136**	42,796
Buildings and properties	**5,458**	7,316
Motor vehicles and other equipment	**3,997**	5,305
	85,817	100,354

3 CHANGES IN ACCOUNTING POLICIES (continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total Minimum lease payments RMB'000
Within 1 year	5,205	5,268	7,508	8,155
After 1 year but within 2 years	9,430	10,183	10,148	11,173
After 2 year but within 5 years	9,554	11,766	16,347	18,786
After 5 year	10,335	15,647	16,449	24,360
	29,319	37,596	42,944	54,319
	34,524	42,864	50,452	62,474
Less: total future interest expenses		(8,340)		(12,022)
Present value of lease liabilities		34,524		50,452

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. 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 period.

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 CHANGES IN ACCOUNTING POLICIES (continued)

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	Six months ended 30 June 2019				Six months ended 30 June 2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 *(Note 1)* (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result impacted by the adoption of IFRS 16:					
Profit from operations	28,722	6,103	(7,884)	27,652	22,812
Finance cost	(2,900)	1,076	–	(1,824)	(363)
Profit before taxation	27,185	7,179	(7,884)	26,480	22,449
Profit for the period	18,663	7,179	(7,884)	17,958	16,752

3 CHANGES IN ACCOUNTING POLICIES (continued)

	Six months ended 30 June 2019			Six months ended 30 June 2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 *(Notes 1 & 2)* (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C) RMB'000	Compared to amounts reported under IAS 17 RMB'000
Line items in the condensed consolidated cash flow statement impacted by the adoption of IFRS 16:				
Cash generated from/(used in) operations	64,208	(7,884)	56,324	(19,956)
Cash generated from/(used in) operations	55,909	(7,884)	48,025	(23,223)
Capital element of lease rentals paid	(9,205)	6,103	(3,102)	–
Interest element of lease rentals paid	(1,076)	1,076	–	–
Net cash generated from/(used in) financing activities	31,138	7,179	38,317	(828)

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

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sale of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services.

Further details regarding the Group's principal activities are disclosed in Note 4(b).

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Disaggregation by major products or service lines		
– Sales of natural gas by operating refuelling stations	**158,706**	130,004
– Revenue from provision of transportation services	**32,096**	23,355
– Revenue from the trading of liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG")	**4,152**	5,793
	194,954	159,152

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(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 purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to from the following reportable segments.

– Sales of natural gas: this segment provides compressed natural gas ("CNG"), LPG and LNG to vehicular end-users by operating refuelling stations and trading of LPG and LNG;

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

(i) Segment results, assets and liabilities

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

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

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

Disaggregation of revenue from contracts with customers by 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.

	Six months ended 30 June 2019		
	Sales of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregation by timing of revenue recognition:			
– Point in time	**162,858**	**–**	**162,858**
– Over time	**–**	**32,096**	**32,096**
Revenue from external customers	**162,858**	**32,096**	**194,954**
Inter-segment revenue	**1,317**	**6,457**	**7,774**
Reportable segment revenue	**164,175**	**38,553**	**202,728**
Reportable segment profit (gross profit)	**53,550**	**26,023**	**79,573**

	Six months ended 30 June 2018		
	Sales of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregation by timing of revenue recognition:			
– Point in time	135,797	–	135,797
– Over time	–	23,355	23,355
Revenue from external customers	135,797	23,355	159,152
Inter-segment revenue	948	5,255	6,203
Reportable segment revenue	136,745	28,610	165,355
Reportable segment profit (gross profit)	44,980	19,203	64,183

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**202,728**	165,355
Elimination of inter-segment revenue	**(7,774)**	(6,203)
Consolidated revenue *(Note 4(a))*	**194,954**	159,152

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Profit		
Reportable segment profit (gross profit)	**79,573**	64,183
Other income	**5,857**	3,587
Staff costs	**(25,231)**	(21,139)
Depreciation expenses	**(14,577)**	(8,025)
Operating lease charges	**–**	(3,254)
Other operating expenses	**(16,900)**	(12,540)
Share of profits of a joint venture	**1,363**	–
Finance costs	**(2,900)**	(363)
Consolidated profit before taxation	**27,185**	22,449

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

(iii) Geographic information

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

5 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Rental income from operating leases	**1,836**	1,399
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party *(Note 20(a))*	**550**	550
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party *(Note 20(a))*	**2,000**	2,000
Net gain on disposal of a subsidiary *(Note 21)*	**944**	–
Net loss on disposal of property, plant and equipment	**(113)**	(14)
Net foreign exchange gain/(losses)	**99**	(697)
Interest income	**298**	196
Others	**243**	153
	5,857	3,587

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Interests on		
– bank loans	**1,824**	363
– lease liabilities	**1,076**	–
	2,900	363

No borrowing costs have been capitalised during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil)

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**23,028**	19,020
Contributions to defined contribution retirement plans	**2,203**	2,119
	25,231	21,139

(c) Other items:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000 *(Note)*
Depreciation		
– property, plant and equipment	**14,577**	7,336
– lease prepayment (Note)	**–**	689
Operating lease charges	**–**	3,254
Impairment losses/(reversal of impairment losses) on trade receivables	**301**	(58)
Cost of inventories	**104,168**	86,510

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

7 INCOME TAX

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current tax		
Provision for the period	**8,736**	4,732
Deferred tax *(Note 16(a))*		
– Origination and reversal of temporary differences	**(214)**	965
	8,522	5,697

7 INCOME TAX (continued)

Notes:

(i) No provision for the Company and the subsidiaries of the Group incorporated in Hong Kong, being investment holding companies, as these companies have not derived taxable income for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil).

(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 six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

(iv) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to equity shareholders of the Company of RMB18,693,000 (six months ended 30 June 2018: RMB16,358,000) and the weighted average of 234,502,000 (six months ended 30 June 2018: 234,502,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2019 and 2018.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Owned property, plant and equipment

During the six months ended 30 June 2019, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB2,794,000 (six months ended 30 June 2018: RMB12,254,000). Items of property, plant and equipment with a net book value of approximately RMB113,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB14,000), resulting in a loss on disposal of RMB113,000 (six months ended 30 June 2018: RMB14,000)).

(b) Right-of-use assets

As discussed in Note 3, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 3.

10 INTEREST IN A JOINT VENTURE

On 31 January 2019, United Strength International Limited, a wholly-owned subsidiary of the Company, 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"), a company incorporated in Hong Kong, which in turn holds 30% equity interests in China Travel Service International Financial Leasing Company Limited ("CTS Financial Leasing"), a company established in the PRC, with a total consideration of Hong Kong dollars ("HK$") 84,500,000 (equivalent to RMB74,259,000), comprised cash consideration of HK$18,902,000 (equivalent to RMB16,611,000) and the assumption of a shareholder's loan of HK$65,598,000 (equivalent to RMB57,648,000). Upon completion of the acquisition, Silver Spring, together with CTS Financial Leasing became a joint venture of the Group.

11 TRADE RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net of loss allowance, due from:		
– related parties	**6,373**	3,446
– third parties	**5,406**	278
	11,779	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 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	**9,577**	3,638
1 to 3 months	**1,516**	86
3 to 6 months	**686**	–
	11,779	3,724

The Group's customers include individual and corporate customers, and cash before delivery is generally required for all individual customers, where credit terms of one month are granted to corporate customers.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 *(Note)*
Prepayments for purchase of inventories and services from:		
– related parties	**2,346**	3,559
– third parties	**10,969**	14,036
	13,315	17,595
Prepayments for entrustment fee in connection with gas refuelling stations entrusted from third parties *(Note)*	**–**	4,688
Deposits for LPG and LNG related products supply contracts	**16,907**	39,304
Advances to staff	**280**	142
Deposit in connection with an acquisition of an investment in a joint venture	**–**	3,505
Others	**5,997**	3,456
	36,499	68,690

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

13 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	**141,439**	127,918

The Group's operations in the PRC (excluding Hong Kong) conducted their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

14 BANK LOANS

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured by property, plant and equipment and land use rights of the Group	**25,000**	25,000

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured by equity interest of a subsidiary and guaranteed by the controlling shareholder of the Group and a related party	**43,529**	–

(c) At 30 June 2019, the aggregated carrying amounts of the property, plant and equipment and land use rights pledged for the Group's short-term bank loans are RMB9,115,000 (31 December 2018: RMB9,408,000).

15 TRADE AND BILLS PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables due to:		
– related parties	**108**	1,199
– third parties	**2,826**	3,723
	2,934	4,922

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

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	**2,934**	4,922

16 DEFERRED TAX ASSETS AND LIABILITIES

(a) The deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Assets					Liabilities		
	Unused tax losses RMB'000	Accruals RMB'000	Credit loss allowance RMB'000	Impairment loss on property, plant and equipment RMB'000	Depreciation and finance costs arising from capitalisation of leases	Fair value adjustments on property, plant and equipment and land-use-rights and subsequent depreciation RMB'000	Retained profits to be distributed RMB'000	Net RMB'000
At 1 January 2018	1,187	103	16	–	–	(3,014)	(3,300)	(5,008)
(Charged)/credited to the consolidated statement of profit or loss	(1,183)	(51)	(4)	94	–	92	–	(1,052)
At 31 December 2018	4	52	12	94	–	(2,922)	(3,300)	(6,060)
Credited to the consolidated statement of profit or loss *(Note 7)*	–	–	75	–	93	46	–	214
At 30 June 2019	4	52	87	94	93	(2,876)	(3,300)	(5,846)

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**1,647**	1,601
Deferred tax liabilities recognised in the consolidated statement of financial position	**(7,493)**	(7,661)
	(5,846)	(6,060)

17 DIVIDENDS

(a) Dividends

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMBNil).

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and/or paid during the following interim period, of HK$0.0852 per ordinary share (six months ended 30 June 2018: HK$0.05 per ordinary share)	**17,465**	9,801

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at other than fair value

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018.

19 COMMITMENTS

(a) At 30 June 2019, the outstanding capital commitments not provided for in the interim financial report were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Commitments in respect of property, plant and equipment and land use rights:		
– Authorised but not contracted for	**15,940**	11,090

19 COMMITMENTS (continued)

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

	At 31 December 2018 RMB'000
Within 1 year	1,990
After 1 year but within 5 years	6,473
After 5 years	14,166
	22,629

The Group is the lessee in respect of a number of land, buildings, equipment and dangerous goods transportation vehicles held under leases which were previously classified as operating lease under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

20 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the six months ended 30 June 2019 are set out below.

Transactions with the equity shareholders of the Company and companies controlled by the equity shareholders of the Company

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000 (Note)
Sales of goods	**–**	50
Provision of services	**24,575**	22,576
Purchases of goods	**7,805**	7,121
Software maintenance services received	**27**	11
Rental income from operating leases	**62**	62
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party *(Note 5)*	**550**	550
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party *(Note 5)*	**2,000**	2,000
Operating lease charges and entrustment fee in connection with gas refuelling stations entrusted from a related party (recognised as right-of-use assets under IFRS 16)	**4,510**	2,722
Guarantees provided for the Group's bank loan at the end of the reporting period	**43,983**	–

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

21 DISPOSAL OF A SUBSIDIARY

On 1 January 2019, the Company, through a wholly-owned subsidiary, entered into a sale and purchase agreement with a third party to dispose of the Group's entire equity interests in Jixi United Strength Vehicle Energy Investment Company Limited ("Jixi Energy") at a consideration of RMBNil. Upon completion of the disposal, a gain of RMB944,000 was recognised in "other income" in the consolidated profit or loss of the Group.

22 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

INDEPENDENT REVIEW REPORT

Review report to the board of directors of
United Strength Power Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 33 which comprises the consolidated statement of financial position of United Strength Power Holdings Limited as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

The macro economy of China continued to fare well in the first half of 2019. The economic structure was further optimized as bolstered by deepening supply-side structural reform. The GDP of China reached RMB45 trillion in first half of 2019, increasing by 6.3% on a year-on-year basis.

China's energy structure is undergoing profound adjustment, and the transition to green economy is one of the country's key development strategies. The *13th Five-Year Plan for Natural Gas Development ("**13th Five-Year Plan**")* jointly issued by the National Development and Reform Commission ("**NDRC**") and the National Energy Administration has explicated the major task of energy revolution of China, pointing out that clean and low-carbon energy will be the main source of energy supply growth in the future, with the target to increase the share of natural gas in primary energy consumption to 10% and 15% by 2020 and 2023. Meanwhile, the 13th Five-Year Plan emphasized the natural gas utilization policies, such as the project of changing fuel from coal to natural gas in industry and commerce, substituting natural gas for coal in villages and towns of North China, etc., to gradually make natural gas one of the main energy sources, which brings huge development opportunities to China's natural gas industry.

Our Group is a leading operator of CNG refuelling station for vehicles in Jilin Province of China. We run 21 CNG refuelling stations in Northeastern China as at 30 June 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 Jieli Logistics, which has brought good returns and is expected to have a lot of 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 the first six months of 2019, the Group recorded the sales of natural gas income of approximately RMB162.9 million, representing a year-on-year growth of approximately 20% and accounting for approximately 84% of the total revenue of the same period. During the period, the sales volume of CNG reached approximately 36.3 million cubic meters (six months ended 30 June 2018: approximately 32.4 million cubic meters), representing an increase of approximately 12% as compared with the same period last year. The increase in sales volume was mainly due to more marketing campaigns were carried out to stimulate the sales during the period.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Sales of natural gas business (continued)

The table below shows the location of and product offer at our refuelling stations as at 30 June 2019:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	11	0	1	12
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	1	0	0	1
Helong City, Jilin Province	0	1	0	1
Longjing City, Jilin Province	1	0	0	1
Yanji City, Jilin Province	2	0	1	3
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Antu, Jilin Province	0	0	1	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	0	0	1
Siping City, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	**21**	**2**	**3**	**26**
Wuchang City, Heilongjiang Province	0	1	0	1
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:	**21**	**3**	**4**	**28**

Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For the first six months of 2019, the Group recorded the transportation income of approximately RMB32.1 million, representing a year-on-year growth of 37% and accounting for 16% of the total revenue of the same period.

Currently, Jieli Logistics maintains and manages its fleet of nearly 100 dangerous goods transportation vehicles, including, 32 tractor units, 32 trailers and 23 tractor-trailer trucks (for petroleum transportation); and 17 tractor units and 47 trailers (for gas transportation). In addition to its self-owned vehicles, Jieli Logistics also (i) manages and operates 11 tractor units, 4 trailers and 12 tractor-trailer trucks (for petroleum transportation) for Changchun Yitonghe and (ii) leases a total of 27 tractor units and 24 trailers (for gas transportation) from Changchun Yitonghe and its subsidiaries (the "**Yitonghe Group**") for its operation.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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 the six months ended 30 June 2019, the Group's revenue amounted to approximately RMB195.0 million, representing an increase of approximately RMB35.8 million or approximately 22% from approximately RMB159.2 million in the corresponding period in 2018. The increase in revenue was mainly attributable to the increase in the sales volume and unit selling price of the Company's products during the first half of 2019.

Cost of Sales and Gross Profit

The Group's cost of sales mainly represents all costs of purchase of CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and condition and transportation costs. In the six months ended 30 June 2019, the Group's cost of sales increased by approximately 21% to approximately RMB115.4 million from approximately RMB95.0 million in the corresponding period 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 the Company's products during the first half of 2019.

The gross profit for the six months ended 30 June 2019 was approximately RMB79.6 million (six months ended 30 June 2018: approximately RMB64.2 million), with a gross profit margin of approximately 41% (the six months ended 30 June 2018: approximately 40%). The increase in gross profit was mainly attributable to the increase in the sales volume of the Company's products compared with that of the previous year. Gross profit margin remained stable.

Other Income

Other income mainly comprises rental income and management fee. For the six months ended 30 June 2019, other income amounted to approximately RMB5.9 million, representing an increase of approximately RMB2.3 million from approximately RMB3.6 million in the corresponding period in 2018. The increase in other income was mainly attributable to the decrease in foreign exchange losses and gain on disposal of a subsidiary during the first half of 2019.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2019, staff costs amounted to approximately RMB25.2 million, representing an increase of approximately RMB4.1 million from approximately RMB21.1 million in the corresponding period in 2018. The increase in staff costs was principally attributable to the increase in number of staff and average salary payable for staff.

Depreciation Expenses

For the six months ended 30 June 2019, the depreciation expenses increased by approximately 83%, from approximately RMB8.0 million in the corresponding period in 2018 to approximately RMB14.6 million in the six months ended 30 June 2019. Such increase was mainly attributable to the effect of initial application of IFRS 16.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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 consolidated statement of profit or loss on a systematic basis over the lease term.

Other operating expenses, including utilities expenses related to gas refuelling stations and other general office and administrative expenses increased by 35%, from approximately RMB12.5 million to approximately RMB16.9 million. The increase was mainly attributable to increase in legal and professional fees during the period.

For the six months ended 30 June 2019, the finance costs amounted to approximately RMB2.9 million (2018: approximately RMB0.4 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 the period and the increase in interest 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 our Group with CTS Financial Leasing, which is held as to 30% indirectly by our Group upon completion of the acquisition. The share of profits of CTS Financial Leasing amounted to approximately RMB1.4 million for the six months ended 30 June 2019.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2019 increased by approximately RMB4.8 million, constituting a profit of approximately RMB27.2 million (2018: approximately RMB22.4 million).

Income Tax

In the six months ended 30 June 2019, income tax increased by approximately RMB2.8 million, or approximately 49%, to approximately RMB8.5 million from approximately RMB5.7 million in the corresponding period in 2018. Such increase was mainly due to higher profit recorded during the period.

Profit for the Period

For the six months ended 30 June 2019, the net profit of the Group amounted to approximately RMB18.7 million, representing an increase of approximately RMB1.9 million from approximately RMB16.8 million in the corresponding period in 2018.

1. BUSINESS AND FINANCIAL REVIEW (continued)

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2019. Total assets increased by approximately 31% to approximately RMB422.6 million (31 December 2018: approximately RMB323.3 million), total equity increased by approximately 0.4% to approximately RMB256.4 million (31 December 2018: approximately RMB255.5 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2019 amounted to approximately RMB2.8 million and capital commitments as at 30 June 2019 amounted to approximately RMB15.9 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 30 June 2019 and 31 December 2018 are summarised below:

	30 June 2019		31 December 2018	
	RMB'000	**%**	RMB'000	%
Short-term borrowings	**25,000**	**36**	25,000	100
Long-term borrowings	**43,529**	**64**	–	–
Currency denomination				
– RMB	**25,000**	**36**	25,000	100
– HKD	**43,529**	**64**	–	–
Borrowings				
– secured	**68,529**	**100**	25,000	100
Interest rate structure				
– fixed-rate borrowings	**68,529**	**100**	25,000	100
Interest rate				
– fixed-rate borrowings		**4.79-11.70%**		4.79%

As at 30 June 2019, the Group's gearing ratio was approximately 39% (31 December 2018: approximately 21%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2019 and 31 December 2018 respectively.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Use of proceeds

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

	Original allocation HK$'000	Revised allocation HK$'000	Utilization as at 30 June 2019 HK$'000	Remaining balance at at 30 June 2019 HK$'000
Finance the expansion of the CNG refuelling station network	104,000	19,500	14,351	5,149
Strengthen the marketing and promotion strategies	5,800	5,800	1,110	4,690
General working capital	5,800	5,800	5,800	–
Establishment of an industry merger and acquisition fund	–	50,000	–	50,000
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	–
Total	115,600	115,600	55,761	59,839

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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Pledge of Assets

As at 30 June 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 RMB9.1 million. The Group's bank loan of HK$50 million was secured by the equity interest of Silver Spring and personally guaranteed by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, executive director and chairman of the Board of the Company, and Ms. Ji Yuanyuan (姬媛媛女士) ("**Ms. Ji**"), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this report and as at 30 June 2019, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2019, the Group had 520 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the share option scheme on 21 September 2017 (the "**Share Option Scheme**"), under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 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 27 February 2019.

Foreign Exchange Risk Management

The Group's sales and purchases during the 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.

2. BUSINESS PROSPECTS

According to the current national energy development plan, China strives to increase the proportion of natural gas in the primary energy consumption mix to 10% by 2020. The International Energy Agency predicts that China will become one of the critical players to drive the growth of the global natural gas market in the coming five years. Meanwhile, its domestic natural gas industry will also continue to develop rapidly.

In January 2019, the Jilin Provincial Government issued the "Implementation Opinions of the People's Government of Jilin Province on Promoting the Coordinated and Steady Development of Natural Gas" (hereinafter referred to as the "**Opinions**"), to accelerate the construction of its production, supply and marketing system for natural gas and lay an emphasis on addressing a few key conflicts and issues such as the lag in infrastructure construction, the insufficient gas storage and peak-shaving capacity, the slow market cultivation as well as the inadequate utilization of natural gas, in order to secure the reserve and increase production in gas fields in the province, increase the amount of extra-territorial gas, match supply and demand, secure household gas supply, further rationalize the market mechanism and realize the sustainable and healthy development of the natural gas industry.

The "Opinions" proposes to expedite the exploration and development of oil and gas resources in the province, including actively supporting the Jilin Oilfield Branch of PetroChina and the Northeast Oil and Gas Branch of Sinopec to develop natural gas resources in the province to secure reserve and increase production, striving for the 2-billion-cubic-meter goal for self-produced natural gas in the province by 2020.

The "Opinions" stresses on the diversification of gas supply. It requires accelerating the construction of a multi-gas-source supply system encompassing self-produced gas, extra-territorial pipeline gas and purchased CNG/LNG, and further deepening of the strategic cooperation with upstream natural gas sales enterprises such as PetroChina, aiming at increasing the natural gas supply to Jilin Province through the Harbin-Shenyang Pipeline and the China-Russia East-Route Natural Gas Pipeline year by year and reaching a transportation volume of 4 billion cubic meters by 2020. It also encourages enterprises in the province to participate in extra-territorial natural gas development projects, acquire and introduce CNG/LNG resources, and increase natural gas supply in the province through multiple channels.

In the new round of national energy development reform, the Northeast will usher in new development opportunities. According to plan, Russia will start to supply natural gas to Northeast China by the end of 2019 and transport the gas to North and East China via the Northeast; LNG reception and storage facilities will be developed on the Northeast coastline under national guidance; the Shuangliu UGS in Liaohe Oilfield, an underground gas storage reservoir in the Northeast will be rapidly constructed and become the largest gas storage in the country, promoting the infrastructure construction of the natural gas engineering sector and creating more development opportunities for the industry's downstream, where the Group focuses its business.

With the rapid growth of the industry, the Group will actively expand its business scope and look for new growth points while maintaining stable growth of its main business by leveraging its rich industry experience, mature management system and business strategies that fit well with the time.

In the future, in addition to continuing to carry out gas transportation business through Jieli Logistics, the Group will actively explore new development opportunities which are closely related to natural gas in the energy sector, new energy fields in particular, and seek suitable opportunities to enter new business markets with rising potential, so as to diversify revenue sources, enlarge the customer base and introduce new sources of revenue to bring reasonable returns to its shareholders.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding in the Company
Mr. Zhao Jinmin ("Mr. Zhao") *(Note 1)*	Interest of a controlled corporation	130,148,240 (long position)	55.50%
Mr. Liu Yingwu ("Mr. Liu") *(Note 2)*	Interest of a controlled corporation	17,587,600 (long position)	7.50%

Notes:

(1) The said shares were held in the name of Golden Truth Holdings Limited ("Golden Truth"). Golden Truth is wholly owned by Mr. Zhao, our Chairman and an executive Director. By virtue of the SFO, Mr. Zhao is deemed to be interested in the shares in which Golden Truth is interested.

(2) The said shares were held in the name of Heroic Year Limited ("Heroic Year"). Heroic Year is wholly owned by Mr. Liu, an executive Director. By virtue of the SFO, Mr. Liu is deemed to be interested in the shares in which Heroic Year is interested.

Long Position in the Shares of the Associated Corporations

Name of Director	Relevant Company	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of shareholding in the company
Mr. Zhao Jinmin	Golden Truth Holdings Limited	Beneficial owner	100	100%

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2019 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Substantial shareholders

Name of Shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of shareholding in our Company
Golden Truth *(Note 1)*	Beneficial owner	130,148,240	55.50%
Ji Yuanyuan *(Note 2)*	Interest of spouse	130,148,240	55.50%
Dynamic Fame Global Limited *(Note 3)*	Beneficial owner	26,381,400	11.25%
Xu Hang *(Note 3)*	Interest of controlled corporation	26,381,400	11.25%
Heroic Year *(Note 4)*	Beneficial owner	17,587,600	7.50%
Ma Dan *(Note 5)*	Interest of spouse	17,587,600	7.50%

Notes:

1. *Golden Truth is wholly owned by Mr. Zhao, the chairman of the Company and an executive Director.*

2. *Ji Yuanyuan is the spouse of Mr. Zhao. By virtue of the SFO, Ji Yuanyuan is deemed to be interested in the shares in which Mr. Zhao is interested.*

3. *The said shares were held in the name of Dynamic Fame Global Limited ("Dynamic Fame"). Dynamic Fame is wholly owned by Xu Hang. By virtue of the SFO, Xu Hang is deemed to be interested in the shares in which Dynamic Fame is interested.*

4. *Heroic Year is wholly owned by Mr. Liu, an executive Director.*

5. *Ma Dan is the spouse of Mr. Liu. By virtue of the SFO, Ma Dan is deemed to be interested in the shares in which Mr. Liu is interested.*

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The terms of the Share Option Scheme approved and adopted by the Company on 21 September 2017 (the "**Share Option Scheme**") are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable to the Company and its subsidiaries to recruit and retain high-calibre employees.

The Directors may, at their discretion, offer eligible persons (being full time or part time employees, executive directors, non-executive directors and independent non-executive directors or consultant of the Group or any person whom the Board considers, in its sole discretion, has contributed or contributes to the Group) who the Board may in its absolute discretion select to subscribe the shares.

SHARE OPTION SCHEME (continued)

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing equivalent to 23,450,200 shares of the Company, which is 10% of the issued share capital of the Company as at the date of this Interim Report.

The total number of shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the shares in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12-month period must not exceed 1% of the shares in issue as at the date of grant.

The vesting periods, exercise periods and vesting conditions maybe specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant.

At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The amount payable by a grantee on acceptance of a grant of options is HK$1.00. The subscription price for the shares of the Company being the subject of the options shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The Share Option Scheme will expire on 20 September 2027. No options have been granted under the Share Option Scheme as at 30 June 2019, or as at the date of this Interim Report.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2019, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include the review of Directors' and senior management's remuneration packages, bonuses and other compensation. Currently, the Remuneration comprises Mr. Liu Yingwu who is an executive Director and Mr. Zhang Zhifeng and Ms. Su Dan who are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Zhang Zhifeng.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Corporate CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitability qualified to become members of the Board. Currently, the Nomination Committee comprises Mr. Xu Huilin who is an executive Director, and Ms. Su Dan and Mr. Zhang Zhifeng who are independent non-executive Directors. The Nomination Committee is chaired by Ms. Su Dan.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Having made specific enquiry with all Directors, all the Directors confirmed that they have complied with the Model Code throughout the period under review.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2019.

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 and bankers for their support to the Group throughout the period.

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

Hong Kong, 28 August 2019