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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2019, revenue increased by approximately 22% to approximately RMB195.0 million (six months ended 30 June 2018: approximately RMB159.2 million).

- For the six months ended 30 June 2019, profit attributable to equity shareholders of the Company was approximately RMB18.7 million (six months ended 30 June 2018: approximately RMB16.4 million).

- For the six months ended 30 June 2019, basic earnings per share amounted to approximately RMB0.08 (six months ended 30 June 2018: approximately RMB0.07).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**"), the Company and its subsidiaries (collectively the "**Group**") hereby announces the unaudited condensed consolidated interim results for the six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018.

Consolidated statement of profit or loss
For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Note)
Revenue	*3(a)*	**194,954**	159,152
Cost of sales		**(115,381)**	(94,969)
Gross profit	*3(b)*	**79,573**	64,183
Other income	*4*	**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)
Profit from operations		**28,722**	22,812
Share of profits of a joint venture		**1,363**	–
Finance costs		**(2,900)**	(363)
Profit before taxation	*5*	**27,185**	22,449
Income tax	*6*	**(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)*	*7*	**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 2.

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 2.

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		**152,806**	73,791
Lease prepayments		**–**	44,937
Interest in a joint venture	*8*	**76,485**	–
Deferred tax assets		**1,647**	1,601
		230,938	120,329
Current assets			
Inventories		**1,567**	2,336
Trade receivables	*9*	**11,779**	3,724
Prepayments, deposits and other receivables		**36,499**	68,690
Income tax recoverable		**403**	325
Cash and cash equivalents		**141,439**	127,918
		191,687	202,993
Current liabilities			
Bank loans		**25,000**	25,000
Trade and bills payables	*10*	**2,934**	4,922
Accrued expenses and other payables		**27,826**	23,297
Dividend payables		**17,465**	–
Lease liabilities		**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		**43,529**	–
Lease liabilities		**29,319**	–
Deferred tax liabilities		**7,493**	7,661
		80,341	7,661
NET ASSETS		**256,365**	255,468

Consolidated statement of financial position (continued)
At 30 June 2019 – unaudited
(Expressed in RMB)

	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 2.

Notes

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 information 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 2.

The preparation of an interim financial information 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 information 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 information 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 is included in the interim report to be dispatched to the Company's shareholder.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial information 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.

2. 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.

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)	–
Non-current assets	**120,329**	**55,417**	**175,746**
Prepayments, deposits and other receivables	68,690	(4,965)	63,725
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**	**42,994**	**306,073**
Lease liabilities (non-current)	–	42,994	42,994
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 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. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sales 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 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 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 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

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.

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.

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*
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*
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

(ii) Reconciliations of reportable segment 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 3(a))*	**194,954**	159,152

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
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 2.

4. 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	**550**	550
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party	**2,000**	2,000
Net gain on disposal of a subsidiary	**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

5. 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)
Interest on		
– bank loans	**1,824**	363
– lease liabilities	**1,076**	–
	2,900	363

(b) Staff costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*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	2018
	RMB'000	*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 2.

6. INCOME TAX

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

Notes:

(i) No provision of the Company and the subsidiaries of the Group incorporated in Hong Kong, being investment holding companies, as these companies have not derive 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%).

7. 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.

8. 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.

9. TRADE RECEIVABLES

	At 30 June 2019	At 31 December 2018 (Audited)
	RMB'000	*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	At 31 December 2018
	RMB'000	*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.

10. TRADE AND BILLS PAYABLES

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

11. 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	2018
	RMB'000	*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

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.

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.

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.

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 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.

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.

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.

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 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 announcement 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

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

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 six months ended 30 June 2019.

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 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.

Publication of Interim Results Announcement and Interim Report

This interim 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 interim report for the six months ended 30 June 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, 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

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.