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 2020

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, revenue decreased by approximately 35% to approximately RMB127.2 million (six months ended 30 June 2019: approximately RMB195.0 million).
- For the six months ended 30 June 2020, profit attributable to equity shareholders of the Company was approximately RMB3.3 million (six months ended 30 June 2019: approximately RMB18.7 million).
- For the six months ended 30 June 2020, basic earnings per share amounted to approximately RMB0.01 (six months ended 30 June 2019: approximately RMB0.08).

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 2020 together with comparative figures for the corresponding period in 2019.

Consolidated statement of profit or loss
For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*3(a)*	**127,234**	194,954
Cost of sales		**(65,413)**	(115,381)
Gross profit	*3(b)*	**61,821**	79,573
Other income	*4*	**4,533**	5,857
Staff costs	*5(b)*	**(23,288)**	(25,231)
Depreciation expenses	*5(c)*	**(13,400)**	(14,577)
Other operating expenses		**(10,367)**	(14,201)
Profit from operations		**19,299**	31,421
Share of profits of a joint venture		**1,520**	1,363
Finance costs	*5(a)*	**(4,189)**	(2,900)
Costs incurred in connection with contemplated acquisitions of businesses		**(10,096)**	(2,699)
Profit before taxation	*5*	**6,534**	27,185
Income tax	*6*	**(3,781)**	(8,522)
Profit for the period		**2,753**	18,663
Attributable to:			
Equity shareholders of the Company		**3,287**	18,693
Non-controlling interests		**(534)**	(30)
Profit for the period		**2,753**	18,663
Earnings per share			
– Basic and diluted (RMB)	*7*	**0.01**	0.08

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2020 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**2,753**	18,663
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**1,339**	(15)
Total comprehensive income for the period	**4,092**	18,648
Attributable to:		
Equity shareholders of the Company	**4,652**	18,678
Non-controlling interests	**(560)**	(30)
Total comprehensive income for the period	**4,092**	18,648

Consolidated statement of financial position
At 30 June 2020 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**158,038**	157,487
Interest in a joint venture		**80,605**	77,556
Deferred tax assets		**1,944**	1,742
		240,587	236,785
Current assets			
Inventories		**1,460**	1,615
Trade receivables	*8*	**7,232**	9,198
Prepayments, deposits and other receivables		**39,500**	122,260
Income tax recoverable		**705**	338
Cash and cash equivalents		**135,327**	57,474
		184,224	190,885
Current liabilities			
Bank loans		**64,538**	25,000
Trade payables	*9*	**1,222**	4,576
Accrued expenses and other payables		**26,757**	23,159
Dividends payables	*10*	**17,855**	–
Lease liabilities		**9,261**	14,512
Income tax payable		**5,581**	9,172
		125,214	76,419
Net current assets		**59,010**	114,466
Total assets less current liabilities		**299,597**	351,251

Consolidated statement of financial position (continued)
At 30 June 2020 – unaudited
(Expressed in RMB)

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Non-current liabilities		
Bank loans	**2,779**	43,925
Lease liabilities	**32,237**	26,790
Deferred tax liabilities	**3,856**	5,774
	38,872	76,489
NET ASSETS	**260,725**	274,762
CAPITAL AND RESERVES		
Share capital	**19,794**	19,794
Reserves	**235,352**	248,555
Total equity attributable to equity shareholders of the Company	**255,146**	268,349
Non-controlling interests	**5,579**	6,413
TOTAL EQUITY	**260,725**	274,762

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, 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 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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. KPMG's independent review report to the board of directors of the Company is included in the interim report to be dispatched to the Company's shareholder.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

None of these 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 except for the amendment to IFRS 16, *Covid-19 – Related Rent Concessions*, which provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID – 19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

Disaggregation of revenue

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

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
Disaggregation by major products or service lines:		
– Sales of natural gas by operating refuelling stations	**95,361**	158,706
– Revenue from the provision of transportation services	**26,533**	32,096
– Revenue from the trading of liquefied petroleum gas ("**LPG**") and liquefied natural gas ("**LNG**") and related chemical products	**5,340**	4,152
	127,234	194,954

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

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

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

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

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

	Six months ended 30 June 2020		
	Sale of natural gas *RMB'000*	**Provision of transportation services** *RMB'000*	**Total** *RMB'000*
Disaggregation by timing of revenue recognition:			
– Point in time	**100,701**	**–**	**100,701**
– Over time	**–**	**26,533**	**26,533**
Revenue from external customers	**100,701**	**26,533**	**127,234**
Inter-segment revenue	**667**	**4,639**	**5,306**
Reportable segment revenue	**101,368**	**31,172**	**132,540**
Reportable segment gross profit	**38,543**	**23,278**	**61,821**

	Six months ended 30 June 2019		
	Sale 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 gross profit	53,550	26,023	79,573

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**132,540**	202,728
Elimination of inter-segment revenue	**(5,306)**	(7,774)
Consolidated revenue *(Note 3(a))*	**127,234**	194,954

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit		
Reportable segment gross profit	**61,821**	79,573
Other income	**4,533**	5,857
Staff costs	**(23,288)**	(25,231)
Depreciation expenses	**(13,400)**	(14,577)
Other operating expenses	**(10,367)**	(14,201)
Share of profits of a joint venture	**1,520**	1,363
Finance costs	**(4,189)**	(2,900)
Costs incurred in connection with contemplated acquisitions of businesses	**(10,096)**	(2,699)
Consolidated profit before taxation	**6,534**	27,185

(iii) Geographic information

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

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Rental income:		
– from operating leases	**913**	1,836
– from entrustment fee in connection with petroleum refuelling stations entrusted to a related party	**550**	550
– COVID-19-related rent concessions	**453**	–
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 gain/(loss) on disposal of property, plant and equipment	**405**	(113)
Net foreign exchange (loss)/gain	**(223)**	99
Interest income	**85**	298
Others	**350**	243
	4,533	5,857

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest expenses on:		
– bank loans	**2,985**	1,824
– lease liabilities	**1,204**	1,076
	4,189	2,900

(b) Staff costs:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**22,814**	23,028
Contributions to defined contribution retirement plans	**474**	2,203
	23,288	25,231

(c) Other items:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation		
– owned property, plant and equipment	**6,575**	7,763
– right-of-use assets	**6,825**	6,814
Impairment losses on trade receivables	**57**	301
Cost of inventories	**57,554**	104,168

6. INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current taxation		
Provision for the period	**5,901**	8,736
Deferred taxation		
– Origination and reversal of temporary differences	**(2,120)**	(214)
	3,781	8,522

Notes:

(i) The Company, a subsidiary of the Group incorporated in the British Virgin Islands and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2020 (six months ended 30 June 2019: 16.5%). One of the Group's subsidiaries incorporated in Hong Kong is eligible for the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(ii) The Company and a subsidiary 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 2020 (six months ended 30 June 2019: 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 2020 (six months ended 30 June 2019: 15%).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2020 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB3,287,000 (six months ended 30 June 2019: RMB18,693,000) and the weighted average of 234,502,000 (six months ended 30 June 2019: 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 2020 and 2019.

8. TRADE RECEIVABLES

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade receivables, net of loss allowance, due from:		
– related parties	**5,286**	2,791
– third parties	**1,946**	6,407
	7,232	9,198

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.

(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 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within 1 month	**5,711**	9,198
1 to 3 months	**1,521**	–
	7,232	9,198

9. TRADE PAYABLES

App16 4(2)(b)

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables due to third parties	**1,222**	4,576

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	**1,222**	4,576

10. DIVIDENDS

(a) 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 2020 (six months ended 30 June 2019: RMBNil).

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and/or paid during the following interim period, of HK$0.0853 per ordinary share (six months ended 30 June 2019: HK$0.0852 per ordinary share)	**17,855**	17,465

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

App16 4B(3)

The global economy experienced a downturn in the first half of 2020 due to the COVID-19 pandemic, with increasing uncertainties. Nevertheless, it has not changed the fundamentals of the Chinese economy, which has demonstrated resilience and steady development. During the reporting period, the demand for natural gas was affected by the pandemic. However, as the outbreak was contained and numbers of infection got under control, the domestic economy gradually recovered, with demand now rebounding as well. With quicker production recovery across all sectors in the country, natural gas demand is picking up, which is expected to continue to grow steadily in the future.

In terms of policies, in 2019, China launched a series of reform measures around key areas such as reserve exploration and production enhancement of oil and gas, and pipeline network reform. The National Petroleum and Natural Gas Pipe Network Group Co., Ltd. ("**The National Petroleum and Natural Gas Pipe Network Group**") was founded. The reserve and production increase program showed good progress, while the system for the production, supply, storage and distribution of natural gas was also well established. Going into 2020, the natural gas supply is generally stable and secure, and the whole gas industry shows good prospects. In 2020, following the release of the "Guiding Opinions on Energy Security in 2020", the State issued the "Guiding Opinions on Energy Work in 2020", which clearly requires that the country's natural gas production in 2020 should reach approximately 181 billion cubic meters, with an increase of 4.8 billion cubic meters. 2020 marks the end of the 13th Five-Year Plan period, and major oilfields have actively responded and set production increase targets. The clearly set-out 2020 oil and gas production targets will provide a strong support to the development of the domestic natural gas industry in the second half of the year.

After the establishment of the National Petroleum and Natural Gas Pipe Network Group, the construction of long-distance pipeline networks, branch pipeline networks and storage tanks are all expected to accelerate. According to the 13th Five-Year Plan for Natural Gas, 40,000 kilometers of natural gas trunk and supporting pipelines are expected to be constructed in 2020, constituting a total mileage of 104,000 kilometers; LNG imports are expected to grow at a higher rate as receiving terminals expand; pipeline gas imports are also expected to grow constantly benefiting from the production of the China-Russia east-route natural gas pipeline; considering the acceleration in exploration and development, the natural gas industry is expected to benefit greatly from the rapidly increasing supply from 2020 to 2025.

The People's Government of Jilin Province issued in 2019 the "Implementation Opinions on Promoting the Coordinated and Steady Development of Natural Gas", actively arranged for and pushed forward the Shuangtuozi Gas Storage Project in Changling County, Songyuan City and the Shuangyang Gas Cap Project in Changchun City, and expedited the construction of emergency gas storage facilities in key cities such as the LNG storage and distribution station of 100,000 cubic meters in Changchun, the LNG storage tank of 2,500 cubic meters in Jilin as well as the LNG emergency storage of 1.5 million tons in Hunchun. At the same time, the government speeded up nurturing the downstream market for natural gas, advocated the use of natural gas by households and public service facilities to increase efficient utilization, and encouraged the adoption of greener means of transportation such as LNG- and CNG-fueled vehicles to expand the scale of natural gas utilization in the transportation sector.

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 2020, the Group recorded the sales of natural gas income of approximately RMB100.7 million, representing a year-on-year decline of approximately 38% and accounting for approximately 79% of the total revenue of the same period. During the period, the sales volume of CNG reached approximately 23.6 million cubic meters (six months ended 30 June 2019: approximately 36.3 million cubic meters), representing a decrease of approximately 35% as compared with the same period last year. The decrease in sales volume was mainly due to the interruption of economic activities in China brought by COVID-19 in light of the decrease in services of public transports as major CNG vehicle users mainly include taxi drivers, and corporate customers such as bus operators, logistics companies and driving schools.

The table below shows the location of and product offer at our refuelling stations as at 30 June 2020:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	12	0	1	13
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	1	0	0	1
Helong City, Jilin Province	0	1	0	1
Longjing City, Jilin Province	1	0	0	1
Yanji City, Jilin Province	2	0	1	3
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Antu, Jilin Province	0	0	1	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	0	0	1
Siping City, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	**22**	**2**	**3**	**27**
Wuchang City, Heilongjiang Province	0	1	0	1
Total station(s) in Heilongjiang Province	**0**	**1**	**0**	**1**
Dandong City, Liaoning Province	1	0	0	1
Total station(s) in Liaoning Province	**1**	**0**	**0**	**1**
Total:	**23**	**3**	**3**	**29**

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics. For the first six months of 2020, the Group recorded the transportation income of approximately RMB26.5 million, representing a year-on-year decline of approximately 17% and accounting for approximately 21% of the total revenue of the same period.

At present, Jieli Logistics and its subsidiary own and manage a fleet of over 100 dangerous goods transport vehicles, including 54 locomotives, 36 trailers and 28 headmounted integrated vehicles (for oil transport), as well as 17 locomotives and 49 trailers (for gas transport). In addition to its own vehicles, Jieli Logistics also (i) manages and operates certain transportation facilities (for oil transport) for Changchun Yitonghe Petroleum Distribution Company Limited ("**Changchun Yitonghe**") and (ii) leases certain transportation facilities (for gas transport) from Changchun Yitonghe and its subsidiaries ("**Yitonghe Group**") for its business.

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 2020, the Group's revenue amounted to approximately RMB127.2 million, representing a decrease of approximately RMB67.8 million or approximately 35% from approximately RMB195.0 million in the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in the sales volume and average selling price of the Company's products during the first half of 2020.

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. For the six months ended 30 June 2020, the Group's cost of sales decreased by approximately 43% to approximately RMB65.4 million from approximately RMB115.4 million in the corresponding period in 2019 due to the decrease in total purchase of the products as a result of the decrease in sales volume and unit cost of procurement of the Company's products during the first half of 2020.

The gross profit for the six months ended 30 June 2020 was approximately RMB61.8 million (six months ended 30 June 2019: approximately RMB79.6 million), with a gross profit margin of approximately 49% (the six months ended 30 June 2019: approximately 41%). The decrease in gross profit was mainly attributable to the decrease in the sales volume of the Company's products compared with that of the previous year. The improvement in gross profit margin was mainly attributable to the decrease in the unit cost of procurement of the Company's products compared with that of the previous year.

Other Income

Other income mainly comprises rental income and management fee. For the six months ended 30 June 2020, other income amounted to approximately RMB4.5 million, representing a decrease of approximately RMB1.4 million from approximately RMB5.9 million in the corresponding period in 2019. The decrease in other income was mainly attributable to the decrease in rental income from operating leases during the first half of 2020.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2020, staff costs amounted to approximately RMB23.3 million, representing a decrease of approximately RMB1.9 million from approximately RMB25.2 million in the corresponding period in 2019. The decrease in staff costs was principally attributable to the decrease in contributions to defined contribution retirement plans during the first half of 2020.

Depreciation Expenses

For the six months ended 30 June 2020, the depreciation expenses decreased by approximately 8%, from approximately RMB14.6 million in the corresponding period in 2019 to approximately RMB13.4 million in the six months ended 30 June 2020.

Other Operating Expenses and Finance Costs

Other operating expenses, including utilities expenses related to gas refuelling stations and other general office and administrative expenses decreased by 27%, from approximately RMB14.2 million to approximately RMB10.4 million. The decrease was mainly attributable to decrease in legal and professional fees during the period.

For the six months ended 30 June 2020, the finance costs amounted to approximately RMB4.2 million (2019: approximately RMB2.9 million). The increase in finance costs was mainly attributable to the increase in average loan interest rate during the period.

Costs Incurred in Connection with Contemplated Acquisitions of Businesses

Costs incurred in connection with contemplated acquisitions of businesses represent the professional fees and other expenses incurred in relation to the acquisition of the entire issued share capital of Eternal Global Investments Limited ("**Eternal Global**"). For details, please refer to the Company's circular dated 30 June 2020.

Share of Profits of a Joint Venture

With the completion of acquisition of Silver Spring Green Energy Limited ("**Silver Spring**"), the Group shared a profits from the joint venture of our Group with China Travel Service International Financial Leasing Company Limited ("**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 RMB1.5 million for the six months ended 30 June 2020.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2020 decreased by approximately RMB20.7 million, to approximately RMB6.5 million (2019: approximately RMB27.2 million).

Income Tax

For the six months ended 30 June 2020, income tax decreased by approximately RMB4.7 million, or approximately 55%, to approximately RMB3.8 million from approximately RMB8.5 million in the corresponding period in 2019. Such decrease was mainly due to lower profit before taxation recorded during the period.

Profit for the Period

For the six months ended 30 June 2020, the net profit of the Group amounted to approximately RMB2.8 million, representing a decrease of approximately RMB15.9 million from approximately RMB18.7 million in the corresponding period in 2019.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2020. Total assets decreased by approximately 1% to approximately RMB424.8 million (31 December 2019: approximately RMB427.7 million), total equity decreased by approximately 5% to approximately RMB260.7 million (31 December 2019: approximately RMB274.8 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2020 amounted to approximately RMB9.3 million and capital commitments as at 30 June 2020 amounted to approximately RMB10.2 million. Both the capital expenditure and capital commitments mainly related to the purchases of property, 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 2020 and 31 December 2019 are summarised below:

	30 June 2020		31 December 2019	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**64,538**	**96**	25,000	36
Long-term borrowings	**2,779**	**4**	43,925	64
Currency denomination				
– RMB	**22,133**	**33**	25,000	36
– HKD	**45,184**	**67**	43,925	64
Borrowings				
– secured	**67,317**	**100**	68,925	100
Interest rate structure				
– fixed-rate borrowings	**67,317**	**100**	68,925	100
Interest rate				
– fixed-rate borrowings		**4.68-10%**		5.66-10%

As at 30 June 2020, the Group's gearing ratio was approximately 39% (31 December 2019: approximately 36%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2020 and 31 December 2019 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 2020** *HK$'000*	**Remaining balance at at 30 June 2020** *HK$'000*	**Expected timeline for full utilization of the remaining proceeds**
Finance the expansion of the CNG refuelling station network	104,000	19,500	19,500	–	–
Strengthen the marketing and promotion strategies	5,800	5,800	2,491	3,309	By the end of 2021
General working capital	5,800	5,800	5,800	–	–
Establishment of an industry merger and acquisition fund	–	50,000	–	50,000	By the end of 2021
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	–	–
Total	115,600	115,600	62,291	53,309	

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 2020, the Group's bank loan of RMB22.1 million was secured by property, plant and equipment and land use rights with an aggregate carrying value of approximately RMB21.1 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 2020, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2020, the Group had 536 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 2020, 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

The Company entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Eternal Global at the consideration of HK$650 million (the "**Acquisition**"). For details, please refer to the announcements of the Company dated 18 September 2019, 25 September 2019, 28 February 2020, 26 June 2020 and 24 July 2020 and the Company's circular dated 30 June 2020 respectively. The Company has completed the Acquisition on 24 August 2020. For details, please refer to the announcement of the Company dated 24 August 2020.

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2020.

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

The COVID-19 pandemic has taken its toll on various industries in the first half of the year and affected economic data extensively. Consequently, the growth of the natural gas industry has slowed down. The Group actively responded to market changes, took effective measures to prevent and control the pandemic, coordinated efforts to resume work and production in an orderly manner so as to minimize the impact of the pandemic; meanwhile, the Group provided various complimentary services to its main customer group, i.e. taxies and buses, during the outbreak period, for example, disinfection for refueling vehicles and free epidemic prevention supplies to drivers to retain our customers and enhance customer loyalty, which all proved successful for the post-epidemic recovery of sales.

In the context of air pollution prevention and control, automobile fuel is gradually shifting from traditional energy to clean energy. Natural gas, as the emerging clean energy source and the main fuel for fuel-efficient vehicles and new energy vehicles, will continue to see surges in its demand. At the same time, the dropping price of natural gas will provide a strong stimulus for the adoption of gas-fueled vehicles and the gas demand that comes with it, thus driving up gas consumption. With the maturity of China's oil and gas pipeline network and gas supply, as well as the introduction of various favorable policies for natural gas vehicles, China's natural gas vehicles industry is developing rapidly. It is expected that the number of natural gas vehicles in China will exceed 10 million by the end of 2020. Natural gas refueling stations still stand on good market situation and has a large room to grow.

The National Energy Administration stated at the 2020 Working Conference that it is fundamental to strengthen overall planning and implementation to turn the strategic energy plans into good practices. Looking ahead to the 14th Five-Year Plan period, energy consumption will continue to grow steadily; clean and low-carbon transformation will remain the main focus of the country's energy transformation. During the 14th Five-Year Plan period, policies and measures of the natural gas industry will center on its coordinated and stable development. To begin with, it is necessary to step up domestic oil and gas exploration and development efforts steadily, maintain stable connections with traditional oil and gas countries or regions that we work with, promote oil and gas cooperation with foreign parties and perfect the production, supply and distribution system for natural gas to secure natural gas supply and control our external supply dependence to a reasonable degree. After years of development, the Group has made considerable progress with a good business layout.

The Company completed the acquisition of Eternal Global on 24 August 2020. For details, please refer to the announcement of the Company dated 24 August 2020. Eternal Global group was the largest private petroleum refuelling station operator in Northeast China in terms of annual sales of refined oil products in 2019, accounting for approximately 1.1% of total market share in the region (comprising private and state-owned refuelling station operators). The acquisition will help the Group tap into potential business areas such as oil refuelling, oil wholesale and transportation to expand the network, market share and scale the Group's oil and gas refuelling businesses in Northeast China, provide a richer product portfolio and a broader sales network, thus gaining more business authorizations, licenses and operating rights, ultimately enhancing the Group's bargaining power when negotiating with existing and new suppliers and improving its operating efficiency.

Looking into the second half of 2020, the Group will continue to deep dive in the distribution and transportation businesses for natural gas and consolidate its market position in the CNG refuelling stations field in Jilin Province. The Changchun LNG refuelling stations of the Group were put into operation in 2019, expanding our LNG business with the provincial policies support and resources in the local area. We will further improve our competitive edges while actively pursuing new development opportunities and boosting profitability, so as to raise our long term potential and create more valuable returns for shareholders.

OTHER INFORMATION

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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 2020, 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 24 June 2020 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 2020, 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 2020.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020, 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 2020 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 2020

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