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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 2021**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2021, revenue increased by approximately 41% to approximately RMB2,291.3 million (six months ended 30 June 2020: approximately RMB1,625.6 million).
- For the six months ended 30 June 2021, profit attributable to equity shareholders of the Company increased by approximately 123% to approximately RMB113.5 million (six months ended 30 June 2020: approximately RMB50.8 million).
- For the six months ended 30 June 2021, basic earnings per share amounted to approximately RMB0.30 (six months ended 30 June 2020: approximately RMB0.15).

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 2021 together with comparative figures for the corresponding period in 2020.

Consolidated statement of profit or loss

For the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB’000	2020 RMB’000 <i>Restated</i>
Revenue	3(a)	2,291,301	1,625,571
Cost of sales		(1,964,151)	(1,415,016)
Gross profit	3(b)	327,150	210,555
Other income	4	3,093	2,824
Staff costs	5(b)	(77,980)	(65,499)
Depreciation expenses	5(c)	(40,557)	(34,819)
Impairment gain/(loss) on trade receivables		4,348	(58)
Other operating expenses		(40,590)	(28,045)
Profit from operations		175,464	84,958
Share of profits of a joint venture		620	1,520
Finance costs	5(a)	(18,657)	(9,065)
Costs incurred in connection with the acquisitions of businesses		–	(10,096)
Profit before taxation	5	157,427	67,317
Income tax	6	(41,471)	(17,827)
Profit for the period		115,956	49,490
Attributable to:			
Equity shareholders of the Company		113,502	50,848
Non-controlling interests		2,454	(1,358)
Profit for the period		115,956	49,490
Earnings per share			
– Basic and diluted (RMB)	7	0.30	0.15

Consolidated statement of profit or loss and other comprehensive income*For the six months ended 30 June 2021 – unaudited**(Expressed in RMB)*

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>Restated</i>
Profit for the period	115,956	49,490
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	<u>160</u>	<u>1,142</u>
Total comprehensive income for the period	<u>116,116</u>	<u>50,632</u>
Attributable to:		
Equity shareholders of the Company	113,641	52,016
Non-controlling interests	<u>2,475</u>	<u>(1,384)</u>
Total comprehensive income for the period	<u>116,116</u>	<u>50,632</u>

Consolidated statement of financial position

At 30 June 2021 – unaudited

(Expressed in RMB)

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		636,884	637,847
Investment properties		2,121	2,199
Interest in a joint venture		74,801	75,028
Deferred tax assets		7,075	7,793
		<u>720,881</u>	<u>722,867</u>
Current assets			
Inventories		140,891	111,976
Trade and bills receivables	8	13,855	39,248
Prepayments, deposits and other receivables		398,620	256,959
Income tax recoverable		6,567	3,468
Cash at bank and on hand		115,113	138,617
		<u>675,046</u>	<u>550,268</u>
Current liabilities			
Bank loans		141,419	192,978
Trade and bills payables	9	87,556	90,139
Accrued expenses and other payables		288,571	258,484
Lease liabilities		72,031	50,711
Income tax payable		33,724	28,763
		<u>623,301</u>	<u>621,075</u>
Net current assets/(liabilities)		<u>51,745</u>	<u>(70,807)</u>
Total assets less current liabilities		<u>772,626</u>	<u>652,060</u>

Consolidated statement of financial position (continued)*At 30 June 2021 – unaudited**(Expressed in RMB)*

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current liabilities		
Bank loans	47,360	49,078
Lease liabilities	334,699	311,521
Deferred tax liabilities	6,174	6,352
	<u>388,233</u>	<u>366,951</u>
NET ASSETS	<u>384,393</u>	<u>285,109</u>
CAPITAL AND RESERVES		
Share capital	32,293	32,293
Reserves	318,121	221,312
Total equity attributable to equity shareholders of the Company	<u>350,414</u>	<u>253,605</u>
Non-controlling interests	<u>33,979</u>	<u>31,504</u>
TOTAL EQUITY	<u>384,393</u>	<u>285,109</u>

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 26 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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.

On 24 August 2020 (the “**Completion Date**”), the Company acquired the petroleum refuelling business, comprising the operation of petroleum stations and storage facilities and the provision of transportation of petroleum services (collectively referred to as the “**Petroleum Refuelling Business**”), through the acquisition of the entire issued share capital of Eternal Global Investment Limited (“**Eternal Global**”) (the “**Acquisition**”). On Completion Date and as part of the Acquisition, entrusted agreements (the “**Entrusted Management Agreement**”) were also entered into between Changchun United Strength Power Company Limited (“**New United Strength**”), a wholly owned subsidiary of Eternal Global, and Changchun Yitonghe Petroleum Distribution Company Limited (“**Changchun Yitonghe**”), a company controlled by Mr Zhao Jinmin and not part of the Acquisition, pursuant to which Changchun Yitonghe as the entrusting party entrusted New United Strength as the operating party with an exclusive right to use all the assets, property, land and equipment necessary for the operation and management of the petroleum refuelling stations and petroleum storage facilities owned by Changchun Yitonghe (the “**Entrusted Petroleum Refuelling Stations and Storage Facilities**”). The entrustment fee under the Entrusted Management Agreement is RMB50,000,000 per annum for a period of ten years. The Entrusted Management Agreement and related entrustment fees will be accounted for as leases in accordance to the accounting policies adopted by the Group.

Immediately before and after the Acquisition, the Group and the Petroleum Refuelling Business are under the control of Mr Zhao Jinmin, who will continue to be the controlling shareholder of the Group and the Petroleum Refuelling Business following the completion of the Acquisition. The control is not transitory and, consequently, there is a continuation of the risks and benefits to Mr Zhao Jinmin. Accordingly, the Acquisition is treated as a combination of businesses under common control. The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared using the merger basis of accounting as if the Acquisition was completed and the Petroleum Refuelling Business had been combined at the beginning of the comparative period.

Except for the assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities, the assets and liabilities of the Petroleum Refuelling Business in the condensed consolidated financial statements for the six months ended 30 June 2020 were recognised and measured at their carrying amounts recognised previously from the perspective of Mr Zhao Jinmin. Prior to the Completion Date, assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities in these financial statements were recognised and measured at their carrying amounts recognised previously from the perspective of the Mr Zhao Jinmin. On the Completion Date, assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities were derecognised, as the Group did not acquire the legal titles of these assets and liabilities as part of the Acquisition. Instead, right-of-use assets and lease liabilities were recognised to reflect the execution of the Entrusted Management Agreement on the Completion Date.

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:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the retail sale of refined oil and natural gas by operating refuelling stations and storage facilities, wholesale of refined oil and the provision of transportation of petroleum and natural gas 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	
	2021	2020
	RMB'000	RMB'000
		Restated
Disaggregation by major products or service lines:		
– Sales of refined oil and natural gas	2,265,700	1,600,586
– Revenue from the provision of transportation services	24,620	19,645
– Revenue from the trading of liquefied petroleum gas (“LPG”) and liquefied natural gas (“LNG”) and related chemical products	981	5,340
	<u>2,291,301</u>	<u>1,625,571</u>

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

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its contracts for the provision of transportation of petroleum and natural gas services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for the provision of transportation of petroleum and natural gas services that had an original expected duration of one year or less.

(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 refined oil: this segment carries out sales of refined oil to vehicular end-users by operation of petroleum refuelling stations, sales of refined oil to other petroleum refuelling stations, construction sites and other industrial users by operating petroleum storage facilities, and wholesale of refined oil to other industrial users;
- 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; and
- Provision of transportation services: this segment provides petroleum and natural 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 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, impairment gain/(loss) on trade receivables, other operating expenses, share of profits of a joint venture and costs incurred in connection with the acquisitions of businesses, 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 2021			
	Sale of refined oil RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition:				
– Point in time	2,160,684	105,997	–	2,266,681
– Over time	–	–	24,620	24,620
Revenue from external customers	2,160,684	105,997	24,620	2,291,301
Inter-segment revenue	9,508	151	23,975	33,634
Reportable segment revenue	<u>2,170,192</u>	<u>106,148</u>	<u>48,595</u>	<u>2,324,935</u>
Reportable segment gross profit	<u>269,720</u>	<u>42,810</u>	<u>14,620</u>	<u>327,150</u>
	Six months ended 30 June 2020 (restated)			
	Sale of refined oil RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition:				
– Point in time	1,505,225	100,701	–	1,605,926
– Over time	–	–	19,645	19,645
Revenue from external customers	1,505,225	100,701	19,645	1,625,571
Inter-segment revenue	6,314	667	23,213	30,194
Reportable segment revenue	<u>1,511,539</u>	<u>101,368</u>	<u>42,858</u>	<u>1,655,765</u>
Reportable segment gross profit	<u>142,328</u>	<u>38,542</u>	<u>29,685</u>	<u>210,555</u>

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		Restated
Revenue		
Reportable segment revenue	2,324,935	1,655,765
Elimination of inter-segment revenue	(33,634)	(30,194)
	<u>2,291,301</u>	<u>1,625,571</u>
Profit		
Reportable segment gross profit	327,150	210,555
Other income	3,093	2,824
Staff costs	(77,980)	(65,499)
Depreciation expenses	(40,557)	(34,819)
Impairment gain/(loss) on trade receivables	4,348	(58)
Other operating expenses	(40,590)	(28,045)
Share of profits of a joint venture	620	1,520
Finance costs	(18,657)	(9,065)
Costs incurred in connection with the acquisitions of businesses	–	(10,096)
	<u>157,427</u>	<u>67,317</u>

(iii) *Geographic information*

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

4. **OTHER INCOME**

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		Restated
Rental income from operating leases	1,269	1,207
Net gain on disposal of property, plant and equipment	660	542
Net foreign exchange gains/(losses)	531	(223)
Interest income	196	145
Others	437	1,153
	<u>3,093</u>	<u>2,824</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 <i>Restated</i>
Interest expenses on:		
– bank loans	4,845	7,104
– lease liabilities	13,812	1,961
	<u>18,657</u>	<u>9,065</u>

(b) Staff costs:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 <i>Restated</i>
Salaries, wages and other benefits	71,817	61,710
Contributions to defined contribution retirement plans	6,163	3,789
	<u>77,980</u>	<u>65,499</u>

(c) Other items:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 <i>Restated</i>
Depreciation expenses:		
– owned property, plant and equipment	16,895	19,284
– right-of-use assets	23,584	15,453
– investment properties	78	82
Operating lease charges relating to short-term leases and leases of low-value-assets	991	73
Cost of inventories	<u>1,952,998</u>	<u>1,405,130</u>

6. INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 <i>Restated</i>
Current taxation		
Provision for the period	40,931	22,424
Deferred taxation		
Origination and reversal of temporary differences	540	(4,597)
	<u>41,471</u>	<u>17,827</u>

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 2021 (six months ended 30 June 2020: 8.25% to 16.5%).
- (ii) The Company and 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 2021 (six months ended 30 June 2020: 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, such approval for preferential PRC Corporate Income Tax rate of 15% was extended to 2030 during the year ended 31 December 2020, and therefore this subsidiary enjoyed a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2021 (six months ended 30 June 2020: 15%).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB113,502,000 and the weighted average of 374,502,000 ordinary shares in issue during the interim period.

The calculation of basic earnings per share for the six months ended 30 June 2020 was calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB50,848,000 and the weighted average of 334,502,000 ordinary shares, comprising:

- (i) 234,502,000 ordinary shares in issue as at 1 January 2020 and throughout the six months ended 30 June 2020; and
- (ii) 100,000,000 shares issued on the completion of the Acquisition, as if the above 100,000,000 shares were outstanding throughout the six months ended 30 June 2020.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2021 and 2020.

8. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade receivables, net of loss allowance, due from:		
– related parties	1,090	270
– third parties	10,774	26,408
	11,864	26,678
Bills receivables	1,991	12,570
	13,855	39,248

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 and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 1 month	11,876	14,209
1 to 3 months	800	10,190
3 to 6 months	829	4,299
Over 6 months	350	10,550
	13,855	39,248

9. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade payables due to:		
– related parties	935	10,088
– third parties	<u>41,621</u>	<u>20,051</u>
	<u>42,556</u>	<u>30,139</u>
Bills payables due to:		
– related parties	30,000	30,000
– third parties	<u>15,000</u>	<u>30,000</u>
	<u>45,000</u>	<u>60,000</u>
	<u><u>87,556</u></u>	<u><u>90,139</u></u>

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:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 1 month	19,490	30,139
1 to 3 months	23,066	30,000
3 to 6 months	15,000	–
6 months to 12 months	<u>30,000</u>	<u>30,000</u>
	<u><u>87,556</u></u>	<u><u>90,139</u></u>

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 2021 (six months ended 30 June 2020: 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 2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.0534 per ordinary share (six months ended 30 June 2020: HK\$0.0853 per ordinary share)	<u><u>16,832</u></u>	<u><u>17,855</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

In 2020, global oil and gas production and consumer demand declined due to the impact of the COVID-19, economic downturn, plummeting oil demand and sluggish oil prices. In the first half of 2021, the global epidemic situation has improved as a whole, the domestic economy continued to maintain a steady growth momentum, the economic recovery brought continuous increase in demand. The market demand for oil and gas products improved substantially. Oil consumption gradually recovered and natural gas consumption strongly recovered.

As Asia is the world's largest importer of LNG, the economic recovery and the rebound in LNG demand has kept the spot price of LNG at the level of US\$10 per million British thermal units this summer, rising to the highest price in seven years. The middle section of the China–Russia East-Route Natural Gas Pipeline (Jilin Changling-Hebei Yongqing) project was put into operation in December 2020. Since January 2021, the maximum daily gas transmission capacity of the China–Russia East-Route Natural Gas Pipeline has doubled, further increased the effective supply of natural gas in Beijing-Tianjin-Hebei region and accelerated the recovery of the natural gas industry. In the first four months of 2021, China's natural gas consumption rose 16.8% year-on-year to 122.01 billion cubic meters, which was 13.5% higher than the same period last year and was the fastest in the past three years.

During the period, the continuous development and promotion of vaccines, the relaxation of cross-border control in European countries and the United States, the strong support provided by monetary and fiscal policies, and the implementation of oil-producing countries' production reduction agreements all boosted oil demand expectations. In addition, another round of suspension on the negotiations of the Iranian nuclear agreement also provided support for the rise of the oil prices. Under such background, the international oil prices continued to rise, with the average oil price rising sharply compared to the same period last year. The average price of Brent crude oil in the second quarter was US\$68.85 per barrel, an increase of 12.57% from the previous quarter. S&P Global Platts Analytics has raised its forecast for the growth of oil demand in 2021 by 500,000 barrels per day to 6.3 million barrels per day. Among all the countries, the oil demand in Asia, especially that in China and India, is estimated to grow more rapidly, with an expected oil demand reaching 99.53 million barrels per day in 2021. In China, the domestic refined oil consumption increased significantly year-on-year, basically returning to the consumption level before the outbreak of the pandemic, with the refined oil demand increasing by 13.18% year-on-year in the first five months of 2021. OPEC predicts that global oil demand will gradually recover and resume development in 2021. It is estimated that oil consumption in the second half of 2021 will increase by about 5 million barrels per day compared with the first half, with an increase rate of about 5%.

Sales of Refined Oil Business

The sales of refined oil mainly consisted of selling refined oil to vehicular end-users by operation of petroleum refuelling stations, to other petroleum refuelling stations, construction sites and other industrial users by operating petroleum storage facilities, and wholesale of refined oil to other industrial users. For the first six months of 2021, the Group recorded sales of refined oil income of approximately RMB2,160.7 million, representing an increase of approximately 44% and accounted for 94% of the total revenue of the same period. During the period, the sales volume of refined oil reached approximately 354 thousand tonnes (six months ended 30 June 2020: approximately 285 thousand tonnes), representing an increase of approximately 24% as compared with the same period last year. The increase in sales volume was mainly due to (i) increase in market demand of petroleum products due to the recovery from the COVID-19 pandemic in China; (ii) increase in number of the petroleum refuelling stations and (iii) the increase in marketing and promotional efforts by the Company.

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 2021, the Group recorded sales of natural gas income of approximately RMB106.0 million, representing a year-on-year increase of approximately 5% and accounting for approximately 5% of the total revenue of the same period. During the period, the sales volume of CNG reached approximately 25.7 million cubic meters (six months ended 30 June 2020: approximately 23.6 million cubic meters), representing an increase of approximately 9% as compared with the same period last year. The increase in sales volume was mainly due to (i) increase in market demand of natural gas products due to the recovery from the COVID-19 pandemic in China; and (ii) the increase in marketing and promotional efforts by the Company.

The table below shows the location of and product offer at our refuelling stations as at 30 June 2021:

City, Province	Gas refuelling stations	Petroleum refuelling stations	Mixed (gas and petroleum) refuelling stations	Total number of stations
Changchun City, Jilin Province	8	24	6	38
Jilin City, Jilin Province	2	8	0	10
Liaoyuan City, Jilin Province	1	1	1	3
Helong City, Jilin Province	1	0	0	1
Yanji City, Jilin Province	2	0	1	3
Wangqing, Jilin Province	1	0	0	1
Meihekou, Jilin Province	1	0	0	1
Antu, Jilin Province	1	0	0	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	2	1	4
Siping City, Jilin Province	1	2	0	3
Tonghua City, Jilin Province	0	2	0	2
Baishan City, Jilin Province	0	3	0	3
Total station(s) in Jilin Province	20	42	9	71
Wuchang City, Heilongjiang Province	1	1	0	2
Total station(s) in Heilongjiang Province	1	1	0	2
Dandong City, Liaoning Province	0	14	1	15
Benxi City, Liaoning Province	0	1	0	1
Anshan City, Liaoning Province	0	5	0	5
Dalian City, Liaoning Province	0	1	0	1
Total station(s) in Liaoning Province	0	21	1	22
Total:	21	64	10	95

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics and Xinxin Logistics. For the first six months of 2021, the Group recorded the transportation income of approximately RMB24.6 million, representing a year-on-year increase of approximately 26% and accounting for approximately 1% of the total revenue of the same period.

At present, the Group owns and manages a fleet of over 140 dangerous goods transport vehicles, including 72 locomotives, 57 trailers and 41 headmounted integrated vehicles (for oil transport), as well as 17 locomotives and 51 trailers (for gas transport). In addition to its own vehicles, Jieli Logistics also (i) manages and operates certain transportation facilities (for oil transport) for Changchun Yitonghe Petroleum Distribution Company Limited (“**Changchun Yitonghe**”) and (ii) leases certain transportation facilities (for gas transport) from Changchun Yitonghe and its subsidiaries (“**Yitonghe Group**”) for its business.

Operating Results

Revenue

The principal activities of the Group are the sale of refined oil and natural gas by (i) operating refuelling stations network and storage facilities, and wholesale of refined oil; and (ii) the provision of transportation of petroleum and gas services. For the six months ended 30 June 2021, the Group’s revenue amounted to approximately RMB2,291.3 million, representing an increase of approximately RMB665.7 million or approximately 41% from approximately RMB1,625.6 million in the corresponding period in 2020. The increase in revenue was mainly attributable to the increase in the sales volume and average selling price of the Company’s wholesale and retail petroleum products during the first half of 2021.

Cost of Sales and Gross Profit

The Group’s cost of sales primarily represents all costs of purchase of refined oil, CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and transportation costs. For the six months ended 30 June 2021, the Group’s cost of sales increased by approximately 39% to approximately RMB1,964.2 million from approximately RMB1,415.0 million in the corresponding period in 2020 due to the increase in total purchase of the products as a result of the increase in sales volume and unit cost of procurement of the Company’s products during the first half of 2021.

The gross profit for the six months ended 30 June 2021 was approximately RMB327.2 million (six months ended 30 June 2020: approximately RMB210.6 million), with a gross profit margin of approximately 14% (the six months ended 30 June 2020: approximately 13%). 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. The improvement in gross profit margin was mainly attributable to the increase in the average selling price of the Company’s products compared with that of the same period in the previous year.

Impairment Gain/(Loss) on Trade Receivables

Impairment gain on trade receivables was for recovery of trade receivables for which impairment loss was provided in the previous year. For the six months ended 30 June 2021, impairment gain on trade receivables amounted to approximately RMB4.3 million (six months ended 30 June 2020: impairment loss on trade receivables of approximately RMB58,000).

Other Income

Other income mainly comprises rental income and management fee. For the six months ended 30 June 2021, other income amounted to approximately RMB3.1 million, representing an increase of approximately RMB0.3 million from approximately RMB2.8 million in the corresponding period in 2020. The increase in other income was mainly attributable to the increase in net foreign exchange gains during the first half of 2021.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2021, staff costs amounted to approximately RMB78.0 million, representing an increase of approximately RMB12.5 million from approximately RMB65.5 million in the corresponding period in 2020. The increase in staff costs was principally attributable to the increase in number of staff, average salary payable for staff and the Group's contributions to defined contribution retirement plans during the first half of 2021.

Other Operating Expenses and Finance Costs

Other operating expenses, including utilities expenses related to gas and oil refuelling stations and other general office and administrative expenses increased by 45%, from approximately RMB28.0 million to approximately RMB40.6 million. The increase was mainly attributable to increase in legal and professional fees and business entertainment and promotional expenses during the period.

For the six months ended 30 June 2021, the finance costs amounted to approximately RMB18.7 million (six months ended 30 June 2020: approximately RMB9.1 million). The increase in finance costs was mainly attributable to the increase in interest expenses on lease liabilities as a result of entering into the Entrusted Management Agreement.

Costs Incurred in Connection with the 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**”). The Company completed the acquisition on 24 August 2020 and therefore no such expenses incurred for the six months ended for 30 June 2021. The Group recognised non-recurring expenses of approximately RMB10.1 million in the corresponding period in 2020.

Share of Profits of a Joint Venture

With the completion of acquisition of Silver Spring Green Energy Limited (“**Silver Spring**”), the Group shared 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 RMB0.6 million for the six months ended 30 June 2021.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2021 increased by approximately RMB90.1 million, to approximately RMB157.4 million (six months ended 30 June 2020: approximately RMB67.3 million).

Income Tax

For the six months ended 30 June 2021, income tax increased by approximately RMB23.7 million, or approximately 133%, to approximately RMB41.5 million from approximately RMB17.8 million in the corresponding period in 2020. Such increase was mainly due to higher profit before taxation recorded during the period.

Profit for the Period

For the six months ended 30 June 2021, the net profit of the Group amounted to approximately RMB116.0 million, representing an increase of approximately RMB66.5 million from approximately RMB49.5 million in the corresponding period in 2020.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2021. Total assets increased by approximately 10% to approximately RMB1,395.9 million (31 December 2020: approximately RMB1,273.1 million), total equity increased by approximately 35% to approximately RMB384.4 million (31 December 2020: approximately RMB285.1 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2021 amounted to approximately RMB7.8 million and capital commitments as at 30 June 2021 amounted to approximately RMB19.9 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 2021 and 31 December 2020 are summarised below:

	30 June 2021		31 December 2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Short-term borrowings	141,419	75	192,978	80
Long-term borrowings	47,360	25	49,078	20
Currency denomination				
– RMB	188,779	100	200,464	83
– HKD	–	–	41,592	17
Borrowings				
– secured	188,779	100	242,056	100
Interest rate structure				
– fixed-rate borrowings	188,779	100	242,056	100
Interest rate				
– fixed-rate borrowings		4.3%-7.7%		4.30-10.00%

As at 30 June 2021, the Group's gearing ratio was approximately 72% (31 December 2020: approximately 77%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2021 and 31 December 2020 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 <i>HK\$'000</i>	Revised allocation <i>HK\$'000</i>	Utilization as at 30 June 2021 <i>HK\$'000</i>	Remaining balance at 30 June 2021 <i>HK\$'000</i>	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	4,037	1,763	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	<u>115,600</u>	<u>115,600</u>	<u>63,837</u>	<u>51,763</u>	

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 2021, the aggregate carrying amount of the property, plant and equipment of the Group of RMB11,074,000 were pledged for the Group's bank and other loans and bank acceptance bills facilities. As at 30 June 2021, bank loans and bank acceptance bills facilities of the Group amounted to RMB112,000,000.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2021, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2021, the Group had 1,718 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 2021, 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 Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2021. As at the date of this announcement, the Group is still in the process of conducting due diligence on the possible acquisition of Jilin Zhongyuan Petroleum Sales Co., Limited* (吉林中源石油销售有限公司) as disclosed in the announcement of the Company dated 7 December 2020. The Company will make further announcement as and when appropriate pursuant to the requirements under the Listing Rules.

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

In the context of the transformation and upgrading of China's energy consumption structure, China's natural gas demand has maintained a strong growth momentum. According to the *Blue Book of World Energy: Annual Development Report on World Energy (2020)*, China's natural gas consumption will continue to maintain rapid growth during the period of the "14th Five-Year Plan". The natural gas consumption in 2025 is expected to reach 482.7 billion cubic meters, which is about 1.59 times that of 2019. And the compound growth rate of natural gas consumption in 2020-2025 is estimated to reach about 8.4%.

The China – Russia East-Route Natural Gas Pipeline reaching its design capacity and the intensive investment and construction of coastal LNG terminals will also stimulate the rapid development of the natural gas industry. Driven by multiple factors such as the gradually increased rate of China's urbanization, the increasingly complete layout of natural gas pipeline networks, and improved environmental governance, China's demand for natural gas will still continue to grow and the natural gas industry will still be in a golden period for development. In September 2020, President Xi Jinping mentioned explicitly in a general debate of the 75th UN General Assembly that "China will strive to reach the peak of carbon dioxide emissions by 2030, and strive to achieve carbon neutrality by 2060"; at the 2021 National Conference, "peak carbon dioxide emissions" and "carbon neutrality" were included in the government work report for the first time. In the ninth meeting of the Central Finance and Economics Committee held in March 2021, it was reiterated that "peak carbon dioxide emissions" and "carbon neutrality" should be included in the overall plan for the construction of ecological civilization. As the clean energy with the lowest carbon emission among all fossil energies, natural gas plays a key role in the process of energy transformation and has huge potential for future development and growth.

In recent years, China's oil production has basically stabilized at around 190 million tons, with the import volume increasing year by year. With the expansion of China's oil refining capacity, it is expected that the crude oil demand in China will continue to grow in the next few years. By the end of the "14th Five-Year Plan", it is expected that the domestic oil demand will gradually approach the peak level of 730 million to 750 million tons. The natural gas industry will also face broad opportunities and promising prospects for future development.

Looking forward to the second half of 2021, as a leading operator for vehicle-use compressed natural gas refuelling stations and petroleum refuelling stations in Jilin Province, the Group will seize the favorable opportunity of the macroeconomic recovery and the substantially increasing market demand in oil and gas in the upcoming future. The Group will continue to dedicate itself to the business of natural gas distribution and transportation, and to stabilizing its market position of compressed natural gas stations. The Group will strive for coordinated development of petrol stations and gas stations, actively seek new opportunities to expand our businesses, to enhance the Group's competitiveness in the industry and create higher values for our 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 2021, 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 was held on 11 June 2021 respectively due to their overseas commitments.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. After the change of the chief executive officer with effect from 31 December 2020, Mr. Zhao is both the chairman of the Board and the chief executive officer of the Company.

The Board considers that having the same person to perform the roles of both the chairman and the chief executive officer provides the Company with strong and consistent leadership, and allows effective and efficient planning and implementation of business decisions and strategies. Such structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals and having meeting regularly to discuss issues affecting the operations of the Group.

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 2021, 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 2021.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2021, 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 the Group’s global offering 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 2021 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 and chief executive officer

Hong Kong, 26 August 2021

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