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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 2022

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2022, revenue increased by approximately 17% to approximately RMB2,681.8 million (six months ended 30 June 2021: approximately RMB2,291.3 million).

- For the six months ended 30 June 2022, profit attributable to equity shareholders of the Company decreased by approximately 95% to approximately RMB5.7 million (six months ended 30 June 2021: approximately RMB113.5 million).

- For the six months ended 30 June 2022, basic earnings per share amounted to approximately RMB0.02 (six months ended 30 June 2021: approximately RMB0.30).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**", and its subsidiaries, collectively the "**Group**") hereby announces the unaudited condensed consolidated interim results for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021.

Consolidated statement of profit or loss
For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**2,681,756**	2,291,301
Cost of sales		**(2,504,952)**	(1,964,151)
Gross profit	*3(b)*	**176,804**	327,150
Other income	*4*	**2,906**	3,093
Staff costs	*5(b)*	**(74,959)**	(77,980)
Depreciation expenses	*5(c)*	**(43,562)**	(40,557)
Impairment (loss)/gain on trade receivables		**(1,608)**	4,348
Other operating expenses		**(28,346)**	(40,590)
Profit from operations		**31,235**	175,464
Share of profits of a joint venture		**126**	620
Finance costs	*5(a)*	**(18,833)**	(18,657)
Profit before taxation	*5*	**12,528**	157,427
Income tax	*6*	**(5,103)**	(41,471)
Profit for the period		**7,425**	115,956
Attributable to:			
Equity shareholders of the Company		**5,708**	113,502
Non-controlling interests		**1,717**	2,454
Profit for the period		**7,425**	115,956
Earnings per share			
– Basic and diluted (RMB)	*7*	**0.02**	0.30

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2022 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**7,425**	115,956
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements denominated in foreign currencies into presentation currency of the Group	**4,840**	160
Total comprehensive income for the period	**12,265**	116,116
Attributable to:		
Equity shareholders of the Company	**10,671**	113,641
Non-controlling interests	**1,594**	2,475
Total comprehensive income for the period	**12,265**	116,116

Consolidated statement of financial position
At 30 June 2022 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**592,923**	636,344
Investment properties		**1,955**	2,035
Interest in a joint venture		**77,406**	73,878
Deferred tax assets		**10,235**	7,751
		682,519	720,008
Current assets			
Inventories		**163,104**	80,025
Trade and bills receivables	*8*	**43,129**	38,346
Prepayments, deposits and other receivables		**588,005**	600,640
Income tax recoverable		**2,821**	3,582
Cash at bank and on hand		**137,867**	101,774
		934,926	824,367
Current liabilities			
Bank and other loans		**261,248**	207,453
Trade and bills payables	*9*	**176,480**	113,947
Accrued expenses, other payables and contract liabilities		**306,460**	253,654
Lease liabilities		**78,219**	124,389
Income tax payable		**28,073**	38,149
		850,480	737,592
Net current assets		**84,446**	86,775
Total assets less current liabilities		**766,965**	806,783

Consolidated statement of financial position (continued)
At 30 June 2022 – unaudited
(Expressed in RMB)

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Non-current liabilities		
Bank and other loans	**–**	45,625
Lease liabilities	**308,988**	307,001
Deferred tax liabilities	**5,318**	5,496
	314,306	358,122
NET ASSETS	**452,659**	448,661
CAPITAL AND RESERVES		
Share capital	**32,293**	32,293
Reserves	**382,006**	379,511
Total equity attributable to equity shareholders of the Company	**414,299**	411,804
Non-controlling interests	**38,360**	36,857
TOTAL EQUITY	**452,659**	448,661

Notes

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 25 August 2022.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 auditor 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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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	
	2022	2021
	RMB'000	*RMB'000*
Disaggregation by major products or service lines:		
– Sales of refined oil and natural gas	**2,650,380**	2,265,700
– Revenue from the provision of transportation services	**31,370**	24,620
– Revenue from the trading of liquefied petroleum gas ("**LPG**") and liquefied natural gas ("**LNG**") and related chemical products	**6**	981
	2,681,756	2,291,301

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 three 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 (loss)/gain on trade receivables, other operating expenses and share of profits of a joint venture, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

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

		Six months ended 30 June 2022		
	Sale of refined oil	**Sale of natural gas**	**Provision of transportation services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition:				
– Point in time	**2,563,470**	**86,916**	**–**	**2,650,386**
– Over time	**–**	**–**	**31,370**	**31,370**
Revenue from external customers	**2,563,470**	**86,916**	**31,370**	**2,681,756**
Inter-segment revenue	**12,231**	**55**	**21,059**	**33,345**
Reportable segment revenue	**2,575,701**	**86,971**	**52,429**	**2,715,101**
Reportable segment gross profit	**133,210**	**14,711**	**28,883**	**176,804**

		Six months ended 30 June 2021		
	Sale of refined oil	Sale of natural gas	Provision of transportation services	Total
	RMB'000	*RMB'000*	*RMB'000*	*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	2,170,192	106,148	48,595	2,324,935
Reportable segment gross profit	261,168	36,890	29,092	327,150

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,715,101**	2,324,935
Elimination of inter-segment revenue	**(33,345)**	(33,634)
Consolidated revenue *(Note 3(a))*	**2,681,756**	2,291,301
Profit		
Reportable segment gross profit	**176,804**	327,150
Other income	**2,906**	3,093
Staff costs	**(74,959)**	(77,980)
Depreciation expenses	**(43,562)**	(40,557)
Impairment (loss)/gain on trade receivables	**(1,608)**	4,348
Other operating expenses	**(28,346)**	(40,590)
Share of profits of a joint venture	**126**	620
Finance costs	**(18,833)**	(18,657)
Consolidated profit before taxation	**12,528**	157,427

(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	
	2022	2021
	RMB'000	*RMB'000*
Rental income from operating leases	**1,788**	1,269
Net (loss)/gain on disposal of property, plant and equipment	**(87)**	660
Net foreign exchange (losses)/gains	**(1,331)**	531
Interest income	**412**	196
Others	**2,124**	437
	2,906	3,093

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest expenses on:		
– bank and other loans	**4,787**	4,845
– lease liabilities	**14,046**	13,812
	18,833	18,657

(b) Staff costs:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**67,481**	71,817
Contributions to defined contribution retirement plans	**7,478**	6,163
	74,959	77,980

(c) Other items:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation expenses:		
– owned property, plant and equipment	**17,051**	16,895
– right-of-use assets	**26,431**	23,584
– investment properties	**80**	78
	43,562	40,557
Operating lease charges relating to short-term leases and leases of low-value-assets	**802**	991
Cost of inventories	**2,493,692**	1,952,998

6. INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current taxation		
Provision for the period	**7,765**	40,931
Deferred taxation		
Origination and reversal of temporary differences	**(2,662)**	540
	5,103	41,471

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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 25%).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB5,708,000 (six months ended 30 June 2021: RMB113,502,000) and 374,502,000 ordinary shares in issue during the interim period (six months ended 30 June 2021: 374,502,000).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021.

8. TRADE AND BILLS RECEIVABLES

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade receivables, net of loss allowance, due from:		
– related parties	**1,265**	–
– third parties	**41,614**	35,270
	42,879	35,270
Bills receivables	**250**	3,076
	43,129	38,346

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 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 1 month	**37,781**	34,392
1 to 3 months	**3,919**	2,507
3 to 6 months	**1,179**	1,127
Over 6 months	**250**	320
	43,129	38,346

9. TRADE AND BILLS PAYABLES

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade payables due to:		
– related parties	**59,757**	114
– third parties	**61,723**	68,833
	121,480	68,947
Bills payables due to third parties	**55,000**	45,000
	176,480	113,947

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 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 1 month	**120,745**	33,703
1 to 3 months	**227**	63,465
3 to 6 months	**25,192**	16,779
6 to 12 months	**30,316**	–
	176,480	113,947

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 2022 (six months ended 30 June 2021: 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	
	2022 *RMB'000*	2021 *RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$0.0267 per ordinary share (six months ended 30 June 2021: HK$0.0534 per ordinary share)	**8,176**	16,832

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

In the first half of 2022 (the "**Period**"), due to the outbreak of the Omicron variant, COVID-19 epidemic rebounded strongly in many regions of China, including Jilin Province, where the Group is based. The outbreak was scattered and extensive in high frequency, leading to the reintroduction of stringent lockdown measures by multiple local governments to control its spread. With people traveling less, companies cutting and suspending production, the economic activities slow-down significantly reduced the demand for natural gas. In the first four months of 2022, the apparent consumption of natural gas in China reached approximately 122.6 billion cubic meters, representing a year-on-year (YoY) decrease of 0.3%, while natural gas imports reached approximately 35.87 million tons, representing a YoY decrease of 8.9%.

Meanwhile, international oil price maintained an upward trend in 2022, as the pandemic continued to spread globally, the world's major oil-producing countries implemented production reduction agreement, and the Russian-Ukrainian conflict further cut oil supplies. Brent crude oil closed at US$115.6 per barrel at the end of May 2022, representing a YoY increase of 66.76%. During the Period, China's gasoline price raised several times following the rising international oil prices. The higher gasoline price and the outbreak of Covid-19 suppressed gasoline consumption demand. In the first five months of 2022, national apparent gasoline consumption was approximately 65.768 million tons, representing a decrease of 2.44% YoY.

In terms of the domestic automobile industry, according to the data from the China Association of Automobile Manufacturers, China's vehicle sales volume was approximately 7.691 million units in the first four months of 2022, representing a YoY decrease of 12.1%. With the pandemic under effective control across the country and national life returning to normalcy, the automobile market gradually recovered. In May 2022, China's vehicle sales volume reached approximately 1.862 million units, an increase of 57.6% from the previous month. Encouraged by national policies, the new energy vehicle industry continued robust development in 2022. In the first five months of 2022, the sales volume of new energy vehicles increased by 1.1 times YoY to approximately 2.003 million units, with a steady increase in market share to 17.8%.

In addition, on May 30, 2022, the People's Government of Jilin Province released "Measures to Stabilize the Local Economy", which mentioned that it would continue to implement the "Gasification of Jilin" project, accelerate the construction of long-distance natural gas pipelines, and improve the connectivity of pipeline networks and capability of resource allocation. As a result, an oil and gas pipeline network with "two horizontals, three verticals and one center" in Jilin Province will be gradually formed. Since the official operation of National Petroleum and Natural Gas Pipeline Network Group Co., Ltd., it has put 49,000 kilometers of natural gas pipeline into service, forming "four strategic channels" and "three verticals and three horizontals" pipeline networks for natural gas transportation from the southwest, northwest, northeast across the country and natural gas import from overseas. The pattern of "One Network for the Country" has taken its shape, which realized the synergistic planning of pipelines, improved the efficiency of resource allocation and enhanced the marketization of China's natural gas industry.

Sales of Refined Oil Business

The sales of refined oil mainly consisted of retail sale of 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 2022, the Group recorded sales of refined oil income of approximately RMB2,563.5 million, representing an increase of approximately 19% and accounted for 96% of the total revenue of the same period. During the period, the sales volume of refined oil reached approximately 325 thousand tonnes (six months ended 30 June 2021: approximately 354 thousand tonnes), representing a decrease of approximately 8% as compared with the same period last year. The decrease in sales volume was mainly due to the decrease in market demand of petroleum products due to the interruption of economic activities in Northeastern China brought by COVID-19 pandemic in particular, the Omicron variant during the Period.

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 2022, the Group recorded sales of natural gas income of approximately RMB87.0 million, representing a YoY decrease of approximately 18% and accounting for approximately 3% of the total revenue of the same period. During the period, the sales volume of CNG reached approximately 20.8 million cubic meters (six months ended 30 June 2021: approximately 25.7 million cubic meters), representing a decrease of approximately 19% as compared with the same period last year. The decrease in sales volume was mainly due to the decrease in market demand of natural gas products due to the interruption of economic activities in Northeastern China brought by COVID-19 pandemic in particular, the Omicron variant during the Period.

The table below shows the location of and product offer at our refuelling stations as at 30 June 2022:

City, Province	**Gas refuelling stations**	**Petroleum refuelling stations**	**Mixed (gas and petroleum) refuelling stations**	**Total number of stations**
Changchun City, Jilin Province	6	24	6	36
Jilin City, Jilin Province	2	7	0	9
Liaoyuan City, Jilin Province	1	4	1	6
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	1	0	2
Siping City, Jilin Province	1	0	0	1
Tonghua City, Jilin Province	0	1	0	1
Baishan City, Jilin Province	0	3	0	3
Total station(s) in Jilin Province	**18**	**40**	**8**	**66**
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:	**19**	**62**	**9**	**90**

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics and Xinxin Logistics. For the first six months of 2022, the Group recorded the transportation income of approximately RMB31.4 million, representing a YoY increase of approximately 28% and accounting for approximately 1% 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 40 locomotives, 39 trailers and 36 head-mounted integrated vehicles (for petroleum transport), as well as 31 locomotives and 51 trailers (for gas transport).

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 (ii) the provision of transportation of petroleum and gas services. For the six months ended 30 June 2022, the Group's revenue amounted to approximately RMB2,681.8 million, representing an increase of approximately RMB390.5 million or approximately 17% from approximately RMB2,291.3 million in the corresponding period in 2021. The increase in revenue was mainly attributable to the increase in the average selling price of the Company's wholesale and retail petroleum products during the first half of 2022.

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 2022, the Group's cost of sales increased by approximately 28% to approximately RMB2,505.0 million from approximately RMB1,964.2 million in the corresponding period in 2021 due to the increase in the unit cost of procurement of the Company's products during the first half of 2022.

The gross profit for the six months ended 30 June 2022 was approximately RMB176.8 million (six months ended 30 June 2021: approximately RMB327.2 million), with a gross profit margin of approximately 7% (the six months ended 30 June 2021: approximately 14%). The decline in gross profit margin was mainly attributable to i) the increase in the unit cost of procurement of the Company's products and ii) the increase in the wholesales of refined oil products with lower gross profit margin which contributed higher proportion of the Group's total revenue in the Period compared with that of the same period in the previous year. The decrease in gross profit was mainly attributable to the decrease in the sales volume and gross profit margin of the Company's products compared with that of the previous year.

Impairment (Loss)/Gain on Trade Receivables

For the six months ended 30 June 2022, impairment loss on trade receivables amounted to approximately RMB1.6 million (six months ended 30 June 2021: impairment gain on trade receivables of approximately RMB4.3 million).

Other Income

Other income mainly comprises rental income from operating lease. For the six months ended 30 June 2022, other income amounted to approximately RMB2.9 million, representing a decrease of approximately RMB0.2 million from approximately RMB3.1 million in the corresponding period in 2021. The decrease in other income was mainly attributable to the increase in net foreign exchange losses during the first half of 2022.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2022, staff costs amounted to approximately RMB75.0 million, representing a decrease of approximately RMB3.0 million from approximately RMB78.0 million in the corresponding period in 2021. The decrease in staff costs was principally attributable to the decrease in number of staff and average salary payable for staff during the first half of 2022.

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 decreased by 30%, from approximately RMB40.6 million to approximately RMB28.3 million. The decrease was mainly attributable to the decrease in operating activities of the Company during the outbreak of COVID-19, in particular the Omicron variant, in Northeastern China in first half of 2022.

For the six months ended 30 June 2022, the finance costs remained stable and amounted to approximately RMB18.8 million (six months ended 30 June 2021: approximately RMB18.7 million).

Share of Profits of a Joint Venture

The Group shared profits from the joint venture of the Group with China Travel Service International Financial Leasing Company Limited ("**CTS Financial Leasing**"), which is held as to 30% indirectly by the Group. The share of profits of CTS Financial Leasing amounted to approximately RMB0.1 million for the six months ended 30 June 2022.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2022 decreased by approximately RMB144.9 million, to approximately RMB12.5 million (six months ended 30 June 2021: approximately RMB157.4 million).

Income Tax

For the six months ended 30 June 2022, income tax decreased by approximately RMB36.4 million, or approximately 88%, to approximately RMB5.1 million from approximately RMB41.5 million in the corresponding period in 2021. 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 2022, the net profit of the Group amounted to approximately RMB7.4 million, representing a decrease of approximately RMB108.6 million from approximately RMB116.0 million in the corresponding period in 2021.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2022. Total assets increased by approximately 5% to approximately RMB1,617.4 million (31 December 2021: approximately RMB1,544.4 million), and total equity increased by approximately 1% to approximately RMB452.7 million (31 December 2021: approximately RMB448.7 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2022 amounted to approximately RMB0.3 million and capital commitments as at 30 June 2022 amounted to approximately RMB9.9 million. Both the capital expenditure and capital commitments were mainly related to the purchases of property, plant and equipment. The Group anticipates that funding for those commitments will come from the proceeds from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 30 June 2022 and 31 December 2021 are summarised below:

	30 June 2022		31 December 2021	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**261,248**	**100**	207,453	82
Long-term borrowings	**–**	**–**	45,625	18
Currency denomination				
– RMB	**261,248**	**100**	253,078	100
Borrowings				
– secured	**261,248**	**100**	253,078	100
Interest rate structure				
– fixed-rate borrowings	**261,248**	**100**	253,078	100
Interest rate				
– fixed-rate borrowings		**3.7%-7.5%**		4.3%-7.5%

As at 30 June 2022, the Group's gearing ratio was approximately 72% (31 December 2021: approximately 71%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2022 and 31 December 2021 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 initial public offerings ("**IPO**") on 16 October 2017. On 27 November 2018, 31 January 2019 and 30 March 2022, the Board resolved to change the proposed use of proceeds from that originally set out in the prospectus for the IPO. Details of which are set out in the announcements of the Company dated 27 November 2018, 31 January 2019 and 30 March 2022 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 2022** *HK$'000*	**Remaining balance at at 30 June 2022** *HK$'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	5,219	581	By the end of 2022
General working capital	5,800	5,800	5,800	–	–
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	–	–
Expansion of petroleum and gas refuelling station network	–	50,000	–	50,000	By the end of 2023
Total	115,600	115,600	65,019	50,581	

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 2022, the aggregate carrying amount of the property, plant and equipment of the Group of RMB26.5 million were pledged for the Group's bank and other loans and bank acceptance bills facilities. As at 30 June 2022, bank loans and bank acceptance bills facilities of the Group amounted to RMB138.0 million. In addition, the Group's bank loan of RMB20.0 million and bank acceptance bills facilities of RMB30.0 million were secured by the personal guarantee by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, chief executive officer, executive director and chairman of the Board, and Ms. Ji Yuanyuan (姬媛媛女士), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2022, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2022, the Group had 1,722 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 2022, 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 2022.

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 March 2022, the National Development and Reform Commission ("**NDRC**") and the National Energy Administration issued the "14th Five-Year Plan for the Modern Energy System" (the "**Plan**"), which formulated an overall blueprint and action plan for accelerating the construction of a modern energy system and promoting high-quality energy development during the "14th Five-Year Plan" period. The Plan clearly stated that "clean, low-carbon, safe and efficient" energy is the core of the modern energy system. Guided by national policies, as the most promising source of clean energy, natural gas will play a more important role in the process of China's energy transition and upgrading, which will bring new opportunities to the natural gas industry.

On 31 May 2022, China's Ministry of Finance and the State Taxation Administration jointly released an announcement on the policy of "Reduction of Vehicle Purchase Tax for Certain Passenger Vehicles" to reduce the purchase tax by half for passenger vehicles with a cylinder capacity of 2L or less to be purchased between June and December 2022 and with a price, excluding VAT, not exceeding RMB300,000. This favorable policy is expected to boost vehicle sales and refined oil consumption in the second half of the year.

In terms of oil, OPEC predicts that world oil demand will climb by 3.36 million barrels a day in 2022, while oil consumption will reach 102.9 million barrels a day on average, slightly higher than the pre-pandemic level. The "Domestic and Foreign Oil and Gas Industry Development Report" released in April by CNPC Economics & Technology Research Institute predicts that China's crude oil production in 2022 will exceed 200 million tons again, the annual refined oil consumption will reach 396 million tons, and the oil industry will continue to recover.

As the country continues to encourage environmental protection, energy structure optimization, oil and gas pipeline network construction, along with the rapid recovery of the oil and automobile market, the oil and natural gas sales market still has broad space and promising prospects.

Despite COVID-19 pandemic has taken its toll on various industries in the first half of 2022, 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 to minimize the impact of the pandemic. Looking forward to the second half of the year, the Group will seize the favorable opportunity of the recovery of the domestic oil and gas market, continue to dedicate itself to the business of natural gas and oil distribution and transportation, actively seek new opportunities to promote business diversification and enhance the Group's competitiveness in the energy industry, and to build a solid foundation for the long-term steady development of the Group, thereby creating lasting value for 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 2022, except the following:

Code provision C.1.6 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 10 June 2022 in Hong Kong respectively due to their commitments outside Hong Kong.

Code provision C.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.

Review of Interim Financial Information

The interim financial report for the six months ended 30 June 2022 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 auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2022, 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 2022.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2022, 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 IPO 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 2022 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, 25 August 2022

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Zhao Jinmin, Mr. Liu Yingwu, Mr. Ma Haidong and Mr. Wang Zhiwei, 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.