



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




2022
INTERIM REPORT



CONTENTS

Corporate Information	2
Financial Highlights	4
Consolidated Statement of Profit or Loss	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	9
Condensed Consolidated Cash Flow Statement	11
Notes to the Unaudited Interim Financial Report	12
Independent Review Report	28
Management Discussion and Analysis	29
Other Information	37



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin (*Chairman & Chief Executive Officer*)
Mr. Liu Yingwu
Mr. Ma Haidong
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)
Mr. Yuan Limin (resigned with effect from 27 July 2022)

Non-Executive Director

Mr. Xu Huilin

Independent Non-Executive Directors

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Xu Huilin
Mr. Lo Wai Kit

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 2101, Unit 1
Block 23, Zone G
Solana 2, Erdao District
Changchun
Jilin Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 4310, 43/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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



HONG KONG LEGAL ADVISER

Wan & Tang
2408, World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

AUDITOR

KPMG
(Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance)
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

STOCK CODE

2337

COMPANY WEBSITE

www.united-strength.com

CONTACT DETAILS

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FINANCIAL HIGHLIGHTS

Six months ended 30 June

	2022 RMB'000	2021 RMB'000 (Restated)
Revenue	2,681,756	2,291,301
Gross profit	176,804	327,150
Profit for the period	7,425	115,956
Profit attributable to equity shareholders of the Company	5,708	113,502
Gross profit margin	7%	14%
<hr/>		
Earning per share		
– Basic & Diluted (RMB)	0.02	0.30

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Total assets	1,617,445	1,544,375
Net assets	452,659	448,661

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – unaudited (Expressed in Renminbi (“RMB”))



	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	2,681,756	2,291,301
Cost of sales		(2,504,952)	(1,964,151)
Gross profit	4(b)	176,804	327,150
Other income	5	2,906	3,093
Staff costs	6(b)	(74,959)	(77,980)
Depreciation expenses	6(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	6(a)	(18,833)	(18,657)
Profit before taxation	6	12,528	157,427
Income tax	7	(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)	8	0.02	0.30

The notes on pages 12 to 27 form part of this interim financial report.

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 RMB'000	2021 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

The notes on pages 12 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited (Expressed in RMB)



	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	9	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	10	43,129	38,346
Prepayments, deposits and other receivables	11	588,005	600,640
Income tax recoverable		2,821	3,582
Cash at bank and on hand	12	137,867	101,774
		934,926	824,367
Current liabilities			
Bank and other loans	13(a)	261,248	207,453
Trade and bills payables	14	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
Non-current liabilities			
Bank and other loans	13(b)	–	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

The notes on pages 12 to 27 form part of this interim financial report.

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
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

The notes on pages 12 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited (Expressed in RMB)



	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	32,293	719,491	(700,106)	11,701	696	189,530	253,605	31,504	285,109
Changes in equity for the six months ended 30 June 2021:									
Profit for the period	-	-	-	-	-	113,502	113,502	2,454	115,956
Other comprehensive income for the period	-	-	-	-	139	-	139	21	160
Total comprehensive income	-	-	-	-	139	113,502	113,641	2,475	116,116
Dividends approved in respect of the previous year (Note 15(b))	-	-	-	-	-	(16,832)	(16,832)	-	(16,832)
Balance at 30 June 2021 and 1 July 2021	32,293	719,491	(700,106)	11,701	835	286,200	350,414	33,979	384,393
Changes in equity for the six months ended 31 December 2021:									
Profit for the period	-	-	-	-	-	63,118	63,118	2,850	65,968
Other comprehensive income for the period	-	-	-	-	(1,728)	-	(1,728)	28	(1,700)
Total comprehensive income	-	-	-	-	(1,728)	63,118	61,390	2,878	64,268
Appropriation to reserves	-	-	-	3,299	-	(3,299)	-	-	-
Balance at 31 December 2021	32,293	719,491	(700,106)	15,000	(893)	346,019	411,804	36,857	448,661

The notes on pages 12 to 27 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2022 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000		
Balance at 1 January 2022	32,293	719,491	(700,106)	15,000	(893)	346,019	411,804	36,857	448,661
Changes in equity for the six months ended 30 June 2022:									
Profit for the period	-	-	-	-	-	5,708	5,708	1,717	7,425
Other comprehensive income for the period	-	-	-	-	4,963	-	4,963	(123)	4,840
Total comprehensive income	-	-	-	-	4,963	5,708	10,671	1,594	12,265
Dividends approved in respect of the previous year (Note 15(b))	-	(8,176)	-	-	-	-	(8,176)	-	(8,176)
Distributions paid to non-controlling equity holders of a subsidiary	-	-	-	-	-	-	-	(91)	(91)
	-	(8,176)	-	-	-	-	(8,176)	(91)	(8,267)
Balance at 30 June 2022	32,293	711,315	(700,106)	15,000	4,070	351,727	414,299	38,360	452,659

The notes on pages 12 to 27 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited (Expressed in RMB)



	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated from operations		108,494	91,251
Income tax paid		(17,080)	(39,069)
Net cash generated from operating activities		91,414	52,182
Investing activities			
Payments for purchase of property, plant and equipment		(1,426)	(7,792)
Proceeds from disposal of property, plant and equipment		167	581
Other cash flows arising from investing activities		412	196
Net cash used in investing activities		(847)	(7,015)
Financing activities			
Proceeds from bank and other loans		9,000	–
Repayment of bank and other loans		(830)	(53,277)
Capital element of lease rentals paid		(31,798)	(7,152)
Interest element of lease rentals paid		(26,431)	(2,002)
Dividends paid to non-controlling equity holders of a subsidiary		(91)	–
Net decrease in the amounts due to related parties		–	(1,365)
Increase in pledged bank deposits		(20,000)	(15,000)
Other cash flows arising from financing activities		(4,787)	(4,845)
Net cash used in financing activities		(74,937)	(83,641)
Net increase/(decrease) in cash and cash equivalents		15,630	(38,474)
Cash and cash equivalents at 1 January	12	53,574	111,617
Effect of foreign exchange rate changes		463	(30)
Cash and cash equivalents at 30 June	12	69,667	73,113

The notes on pages 12 to 27 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

United Strength Power Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 19 December 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 October 2017.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the retail sale of refined oil and natural gas by operating refuelling stations and storage facilities, wholesale of refined oil and the provision of transportation petroleum and natural gas services.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 25 August 2022.

The interim financial report 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 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 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 report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent 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 on page 28.



2 BASIS OF PREPARATION (continued)

The number of refuelling stations and storage facilities of the Group as at 30 June 2022 was as follows:

	Owned by the Group		Operated by the Group under the entrusted management agreement	
	Refuelling stations	Petroleum storage facilities	Refuelling stations	Petroleum storage facilities
At 30 June 2022	48	2	42	1
At 31 December 2021	52	2	42	1

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

4 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 4(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 RMB'000	2021 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 4(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.



4 REVENUE AND SEGMENT REPORTING (continued)

(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.

4 REVENUE AND SEGMENT REPORTING (continued)**(b) Segment reporting (continued)****(i) Segment results (continued)**

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 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	2,563,470	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 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	2,170,192	106,148	48,595	2,324,935
Reportable segment gross profit	261,168	36,890	29,092	327,150



4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	2,715,101	2,324,935
Elimination of inter-segment revenue	(33,345)	(33,634)
Consolidated revenue (<i>Note 4(a)</i>)	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.

5 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 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

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

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



6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

	Six months ended 30 June	
	2022 RMB'000	2021 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 RMB'000	2021 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

7 INCOME TAX

	Six months ended 30 June	
	2022 RMB'000	2021 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%).

8 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.



9 PROPERTY, PLANT AND EQUIPMENT

(a) Owned property, plant and equipment

During the six months ended 30 June 2022, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB315,000 (six months ended 30 June 2021: RMB7,792,000). Items of property, plant and equipment with carrying amount of RMB254,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB4,683,000), resulting in a loss on disposal of RMB87,000 (six months ended 30 June 2021: RMB32,000).

(b) Right-of-use assets

During the six months ended 30 June 2022, no new lease agreement for use of buildings and properties, refuelling stations and related equipment was entered into by the Group (six months ended 30 June 2021: RMB42,127,000).

10 TRADE AND BILLS RECEIVABLES

	At 30 June 2022 RMB'000	At 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.

10 TRADE AND BILLS RECEIVABLES (continued)

(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:

	At 30 June 2022 RMB'000	At 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

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayments for purchase of inventories and services from:		
– related parties	350,582	95,574
– third parties	196,115	482,671
	546,697	578,245
Deposits to suppliers	10,247	6,689
Advances to staff	2,847	2,696
Value-added-tax recoverable	19,724	5,611
Others	8,490	7,399
	588,005	600,640



12 CASH AT BANK AND ON HAND

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash at bank and on hand	69,667	53,574
Pledged and restricted bank deposits (Note (i))	68,200	48,200
Cash at bank and on hand in the consolidated statement of financial position	137,867	101,774
Less: pledged and restricted bank deposits	(68,200)	(48,200)
Cash and cash equivalents in the condensed consolidated cash flow statement	69,667	53,574

Notes:

- (i) The balances were pledged for bank and other loans of and bills issued by the Group.
- (ii) The Group's operations in the PRC (excluding Hong Kong) conducted their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

13 BANK AND OTHER LOANS

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank and other loans:		
Secured by property, plant and equipment and/or restricted bank deposits of the Group, and/or guaranteed by a subsidiary or related parties	112,000	103,000
Secured by trade and bills receivables of the Group	50,000	50,000
Guaranteed by a subsidiary	2,000	2,000
Guaranteed by a third party	48,988	49,000
	212,988	204,000
Add: current portion of long-term bank and other loans (Note 13(b))	48,260	3,453
	261,248	207,453

13 BANK AND OTHER LOANS (continued)

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank and other loans:		
Secured by property, plant and equipment of the Group	1,360	2,078
Guaranteed by a subsidiary	46,900	47,000
	48,260	49,078
Less: current portion of long-term bank and other loans (Note 13(a))	(48,260)	(3,453)
	–	45,625

14 TRADE AND BILLS PAYABLES

	At 30 June 2022 RMB'000	At 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:

	At 30 June 2022 RMB'000	At 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 months to 12 months	30,316	–
	176,480	113,947



15 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

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at other than fair value

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

17 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Commitments in respect of acquisitions of property, plant and equipment:		
Contracted for	1,109	–
Authorised but not contracted for	8,764	4,612
	9,873	4,612

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the interim financial report, the material related party transactions entered into by the Group with the equity shareholders of the Company and companies controlled by the equity shareholders of the Company and their close family members during the six months ended 30 June 2022 are set out below.

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Sales of goods	2,742	24,711
Provision of transportation services	10,888	1,025
Purchases of goods	748,210	308,199
Rental income from operating leases	189	258
Operating lease charges (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	26,763	27,794
Operating lease charges relating to short-term leases and leases of low-value-assets	391	–
Service fee paid for other services received	577	433
Net decrease in amounts due to related parties	–	1,365

	At 30 June	At 31 December
	2022 RMB'000	2021 RMB'000
Guarantees received for the Group's bank and other loans at the end of the reporting period	20,000	20,000
Guarantees received for the Group's bank acceptance bills facilities at the end of the reporting period	30,000	30,000



19 IMPACTS FROM COVID-19 PANDEMIC AND HEIGHTENED GEOPOLITICAL TENSIONS

The Covid-19 pandemic since early 2020 and the heightened geopolitical tensions arising from recent events continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the gradual easing of the original Covid-19 pandemic in Mainland China, various travel restrictions and preventive measures are still in place to avoid wide-spread of the Covid-19 variants. In addition, the heightened geopolitical tensions arising from recent events across the globe brings additional uncertainties to world economies as these events developed. Accordingly, the Group continues to closely monitor these possible impacts have on the Group's businesses and keep contingency measures in place and under review. The directors of the Company confirm that these contingency measures include but not limited to reassessing the flexibility of the current mechanisms in determining the selling prices of refined oil and natural gas in light of the fluctuation to the purchase prices and demand, reassessing the sustainability of existing suppliers and/or expanding the supplier base of refined oil and natural gas in ensuring the adequate supply of refined oil and natural gas at prices that align with market quotations, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms.

As far as the Group's businesses are concerned, the Covid-19 related preventive measures and heightened geopolitical tensions may impact the demand of the Group's refined oil and natural gas which in turn may result in the decrease in sales of such products and/or impact the availabilities of refined oil and natural gas which in turn may result in the increase in purchase prices of such products, and hence the profitability of the Group's operations and the potential impairment of the Group's property, plant and equipment in future periods.

INDEPENDENT REVIEW REPORT



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

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 27 which comprises the consolidated statement of financial position of United Strength Power Holdings Limited as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

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

25 August 2022



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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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



1. BUSINESS AND FINANCIAL REVIEW (continued)

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).

1. BUSINESS AND FINANCIAL REVIEW (continued)

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.



1. BUSINESS AND FINANCIAL REVIEW (continued)

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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Use of proceeds

The Company has received net proceeds of approximately HK\$115.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the 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.



1. BUSINESS AND FINANCIAL REVIEW (continued)

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 report 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



DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding in the Company
Mr. Zhao Jinmin ("Mr. Zhao") (Note 1)	Interest of a controlled corporation	209,829,240 (long position)	56.03%
Mr. Liu Yingwu ("Mr. Liu") (Note 2)	Interest of a controlled corporation	27,287,600 (long position)	7.29%

Notes:

- These underlying shares comprise (i) 138,049,240 Shares held in the name of Golden Truth Holdings Limited ("Golden Truth"); and (ii) 71,780,000 Shares held in the name of Propitious Peak Limited ("Propitious Peak"). Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman, an executive Director and Chief Executive Officer. By virtue of the SFO, Mr. Zhao is deemed to be interested in the shares in which Golden Truth and Propitious Peak are interested.
- These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year Limited ("Heroic Year"); and (ii) 9,700,000 Shares held in the name of Amber Heyday Limited ("Amber Heyday"). Amber Heyday is wholly owned by Heroic Year which is in turn wholly owned by Mr. Liu, an executive Director. By virtue of the SFO, Mr. Liu is deemed to be interested in the shares in which Heroic Year and Amber Heyday are interested.

Long Position in the Shares of the Associated Corporations

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

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares of the Company Substantial shareholders

Name of Shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of shareholding in our Company
Golden Truth (Note 1)	Beneficial owner and Interest of Controlled Corporation	209,829,240	56.03%
Propitious Peak (Note 1)	Beneficial owner	71,780,000	19.17%
Ji Yuanyuan (Note 2)	Interest of spouse	209,829,240	56.03%
Xu Hang (Note 3)	Interest of controlled corporation	37,931,400	10.13%
Dynamic Fame Global Limited (Note 3)	Beneficial owner and Interest of Controlled Corporation	37,931,400	10.13%
Immense Ocean Limited (Note 3)	Beneficial owner	14,550,000	3.89%
Heroic Year (Note 4)	Beneficial owner and Interest of Controlled Corporation	27,287,600	7.29%
Ma Dan (Note 5)	Interest of spouse	27,287,600	7.29%

Notes:

- These underlying shares comprise (i) 138,049,240 Shares held in the name of Golden Truth; and (ii) 71,780,000 Shares held in name of Propitious Peak Limited. Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman, an executive Director and Chief Executive Officer.
- Ji Yuanyuan is the spouse of Mr. Zhao. By virtue of the SFO, Ji Yuanyuan is deemed to be interested in the shares in which Mr. Zhao is interested.
- These underlying shares comprise (i) 23,381,400 Shares held in the name of Dynamic Fame Global Limited ("**Dynamic Fame**"); and (ii) 14,550,000 Shares held in name of Immense Ocean Limited ("**Immense Ocean**"). Immense Ocean is wholly owned by Dynamic Fame is in turn wholly owned by Ms. Xu Hang, our substantial shareholder. By virtue of the SFO, Ms. Xu Hang is deemed to be interested in the shares in which Dynamic Fame and Immense Ocean are interested.
- These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year; and (ii) 9,700,000 Shares held in name of Amber Heyday. Amber Heyday is wholly owned by Heroic Year which is in turn wholly owned by Mr. Liu, an executive Director.
- Ma Dan is the spouse of Mr. Liu. By virtue of the SFO, Ma Dan is deemed to be interested in the shares in which Mr. Liu is interested.

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.



SHARE OPTION SCHEME

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

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

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing equivalent to 23,450,200 shares of the Company, which is 6.26% of the issued share capital of the Company as at the date of this Interim Report.

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

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

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

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

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

The Share Option Scheme will expire on 20 September 2027. No options have been granted under the Share Option Scheme as at 30 June 2022, or as at the date of this Interim Report.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 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), Ms. Su Dan and Mr. Zhang Zhifeng, 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.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2022.

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