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 2023

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2023, revenue increased by approximately 19% to approximately RMB3,184.0 million (six months ended 30 June 2022: approximately RMB2,681.8 million).

- For the six months ended 30 June 2023, profit attributable to equity shareholders of the Company increased by approximately 12% to approximately RMB6.4 million (six months ended 30 June 2022: approximately RMB5.7 million).

- For the six months ended 30 June 2023, basic earnings per share amounted to approximately RMB0.02 (six months ended 30 June 2022: approximately RMB0.02).

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 2023 together with comparative figures for the corresponding period in 2022.

Consolidated statement of profit or loss
For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**3,184,044**	2,681,756
Cost of sales		**(3,011,436)**	(2,504,952)
Gross profit	*3(b)*	**172,608**	176,804
Other income	*4*	**5,928**	2,906
Staff costs	*5(b)*	**(81,671)**	(74,959)
Depreciation expenses	*5(c)*	**(37,422)**	(43,562)
Reversal/(loss) of impairment on trade receivables		**2,147**	(1,608)
Other operating expenses		**(36,150)**	(28,346)
Profit from operations		**25,440**	31,235
Share of profits of an associate		**623**	126
Finance costs	*5(a)*	**(15,486)**	(18,833)
Profit before taxation	*5*	**10,577**	12,528
Income tax	*6*	**(3,430)**	(5,103)
Profit for the period		**7,147**	7,425
Attributable to:			
Equity shareholders of the Company		**6,433**	5,708
Non-controlling interests		**714**	1,717
Profit for the period		**7,147**	7,425
Earnings per share			
– Basic and diluted (RMB)	*7*	**0.02**	0.02

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit for the period	**7,147**	7,425
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	**3,198**	4,840
Total comprehensive income for the period	**10,345**	12,265
Attributable to:		
Equity shareholders of the Company	**9,733**	10,671
Non-controlling interests	**612**	1,594
Total comprehensive income for the period	**10,345**	12,265

Consolidated statement of financial position
At 30 June 2023 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**514,456**	537,767
Investment properties		**1,789**	1,872
Interest in an associate		**69,134**	66,911
Deferred tax assets		**30,544**	15,907
		615,923	622,457
Current assets			
Inventories		**106,788**	136,267
Trade and bills receivables	*8*	**32,826**	67,991
Prepayments, deposits and other receivables		**539,165**	586,312
Income tax recoverable		**6,119**	3,780
Restricted cash		**68,350**	78,350
Cash and cash equivalents		**85,264**	60,297
		838,512	932,997
Current liabilities			
Bank and other loans		**270,750**	298,925
Trade and bills payables	*9*	**50,710**	63,901
Accrued expenses, other payables and contract liabilities		**260,376**	358,615
Lease liabilities		**63,269**	87,229
Income tax payable		**15,634**	10,300
		660,739	818,970
Net current assets		**177,773**	114,027
Total assets less current liabilities		**793,696**	736,484

Consolidated statement of financial position (continued)
At 30 June 2023 – unaudited
(Expressed in RMB)

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Non-current liabilities		
Bank and other loans	**52,500**	–
Lease liabilities	**259,260**	264,732
Deferred tax liabilities	**4,072**	4,128
	315,832	268,860
NET ASSETS	**477,864**	467,624
CAPITAL AND RESERVES		
Share capital	**32,293**	32,293
Reserves	**406,124**	396,391
Total equity attributable to equity shareholders of the Company	**438,417**	428,684
Non-controlling interests	**39,447**	38,940
TOTAL EQUITY	**477,864**	467,624

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 29 August 2023.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

The number of refuelling stations and storage facilities of the Group as at 30 June 2023 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 2023	42	2	39	1
At 31 December 2022	46	2	41	1

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to this interim financial report for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Except for impact of the adoption of Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction* as mentioned above, none of other 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.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
– Sales of refined oil and natural gas	**3,150,615**	2,650,380
– Revenue from the provision of transportation services	**33,387**	31,370
– Revenue from the trading of compressed natural gas ("**CNG**") and liquefied petroleum gas ("**LPG**")	**42**	6
	3,184,044	2,681,756

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 CNG, LPG and liquefied natural gas ("**LNG**") to vehicular end-users by operating refuelling stations, and trading of CNG and LPG; 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 is not measured.

The measure used for reporting segment is gross profit. The Group's other income, staff costs, depreciation expenses, reversal/(loss) of impairment on trade receivables, other operating expenses and share of profits of an associate, 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 2023			
	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	**3,021,104**	**129,553**	**–**	**3,150,657**
– Over time	**–**	**–**	**33,387**	**33,387**
Revenue from external customers	**3,021,104**	**129,553**	**33,387**	**3,184,044**
Inter-segment revenue	**11,639**	**–**	**31,012**	**42,651**
Reportable segment revenue	**3,032,743**	**129,553**	**64,399**	**3,226,695**
Reportable segment gross profit	**107,277**	**25,395**	**39,936**	**172,608**

	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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,226,695**	2,715,101
Elimination of inter-segment revenue	**(42,651)**	(33,345)
Consolidated revenue *(Note 3(a))*	**3,184,044**	2,681,756
Profit		
Reportable segment gross profit	**172,608**	176,804
Other income	**5,928**	2,906
Staff costs	**(81,671)**	(74,959)
Depreciation expenses	**(37,422)**	(43,562)
Reversal/(loss) of impairment on trade receivables	**2,147**	(1,608)
Other operating expenses	**(36,150)**	(28,346)
Share of profits of an associate	**623**	126
Finance costs	**(15,486)**	(18,833)
Consolidated profit before taxation	**10,577**	12,528

(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 associate is in the PRC.

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Rental income from operating leases	**1,841**	1,788
Net (gain)/loss on disposal of property, plant and equipment	**156**	(87)
Net foreign exchange losses	**–**	(1,331)
Interest income	**751**	412
Others	**3,180**	2,124
	5,928	2,906

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses on:		
– bank and other loans	**4,281**	4,787
– lease liabilities	**11,205**	14,046
	15,486	18,833

(b) Staff costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**72,674**	67,481
Contributions to defined contribution retirement plans	**8,997**	7,478
	81,671	74,959

(c) Other items:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation expenses:		
– owned property, plant and equipment	**11,811**	17,051
– right-of-use assets	**25,528**	26,431
– investment properties	**83**	80
	37,422	43,562
Operating lease charges relating to short-term leases and leases of low-value-assets	**800**	802
Cost of inventories	**2,998,612**	2,493,692

6. INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current taxation		
Provision for the period	**18,123**	7,765
Deferred taxation		
Origination and reversal of temporary differences	**(14,693)**	(2,662)
	3,430	5,103

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 2023 (six months ended 30 June 2022: 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 2023 (six months ended 30 June 2022: 25%).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB6,433,000 (six months ended 30 June 2022: RMB5,708,000) and 374,502,000 ordinary shares in issue during the interim period (six months ended 30 June 2022: 374,502,000).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022.

8. TRADE RECEIVABLES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade receivables, net of loss allowance, due from:		
– related parties	**3,985**	16
– third parties	**28,841**	67,975
	32,826	67,991

The Group's customers include individual and corporate customers, and cash before delivery is generally required for all individual customers, where credit terms of one month are granted to corporate customers.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 1 month	**30,218**	50,870
1 to 3 months	**2,523**	14,479
3 to 6 months	**61**	1,885
Over 6 months	**24**	757
	32,826	67,991

9. TRADE AND BILLS PAYABLES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade payables due to:		
– related parties	**–**	5,433
– third parties	**5,710**	3,468
	5,710	8,901
Bills payables due to third parties	**45,000**	55,000
	50,710	63,901

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 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 1 month	**3,109**	8,901
1 to 3 months	**17,601**	30,000
3 to 6 months	**30,000**	25,000
	50,710	63,901

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 2023 (six months ended 30 June 2022: 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	
	2023 *RMB'000*	2022 *RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$Nil per ordinary share (six months ended 30 June 2022: HK$0.0267 per ordinary share)	**–**	8,176

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

The global natural gas market has experienced a rebalance since the beginning of 2023 while the LNG prices were falling gradually worldwide. Benefited from favorable factors such as the recovery of the national economy, the domestic natural gas market recovered steadily and returned to a rational level, with growth seen in both supply and demand ends. In the first half of 2023, as the epidemic prevention and control entered a new stage and the order of production and life restored, the national economy resumed its pace of development, driving up the natural gas demand for industrial, commercial, transportation and power generation uses, etc., but the relatively slow economic recovery in the first half of the year also limited the extent of increase in gas consumption. In addition, gas prices were falling globally with lower cost of import, while the domestic supply and demand environment has been quite relaxed. Falling prices increased the economic benefits of domestic natural gas and drove up the demand for natural gas replacing diesel and LPG. However, due to the warmer temperature in the heating season and the agreeable temperature from April to June, the growth in the demand for natural gas was also restrained to a certain extent.

In the first half of 2023, major oil and gas fields continued to promote the strategy of "increasing reserves and production" to ensure national energy security. The three major domestic upstream production enterprises continued to increase exploration and development efforts, constructed production capacity in an efficient manner and developed "conventional gas" and "unconventional gas" in parallel, resulting in steadily increasing the national natural gas output. Affected by the dropping international spot prices, major Chinese buyers returned to the international spot market for LNG purchase. The increased supply of pipeline gas from Russia also attributed to the significant growth in natural gas imports in the first half of 2023, during which China's total LNG imports increased by 6.8% year-on-year.

From the demand side, according to the "China Natural Gas Development Report 2023" issued by the National Energy Administration, the domestic natural gas consumption picked up in 2023, with a year-on-year increase of 5.6% to 194.1 billion cubic meters from January to June. During the same period, China's natural gas production increased by 5.4% to 115.5 billion cubic meters and the import volume increased 5.8% to 79.4 billion cubic meters, including pipeline gas of 33.2 billion cubic meters and LNG of 46.2 billion cubic meters. According to data issued by the Energy Administration of Jilin Province, from January to June 2023, natural gas consumption in Jilin Province was 1.795 billion cubic meters, representing a year-on-year decrease of 7.2%.

In the natural gas vehicle market, in recent years, with the enhancement of environmental protection awareness, deepening energy mix adjustment, and the proposal of the carbon peaking and carbon neutrality goal, the transformation trend from traditional vehicles to green energy vehicles continued to accelerate. In the northeast region of the country where the Group's businesses centered, since the opening of the China-Russia East-Route Natural Gas Pipeline at the end of 2019, the import volume of natural gas has increased year by year and the natural gas supply in the northeast region has been quite stable thanks to its geographical advantage of "being in a favored position". Due to the subsidence of COVID-19 epidemic influence and the dropping LNG prices, the sales of natural gas heavy trucks in China reached 16,000 units in the first quarter of 2023, a net increase of 9,127 units over the same period of the previous year, representing a year-on-year increase of 136.8%, the rapid growth trend of which is expected to continue throughout the year.

In terms of the oil market, the global oil market has experienced three years of turmoil and taken the disruption by the COVID-19 epidemic and Russia's invasion of Ukraine and is gradually adjusting to the new situation. With oil supply rising and demand growth in developed economies slowing markedly, benchmark crude oil prices are now back below pre-Russia-Ukraine conflict levels and prices for refined petroleum products have fallen from record highs. Besides, global trade flows have undergone unprecedented adjustments, while the two consecutive emergency oil stocks releases by members of the International Energy Agency in 2022 increased the industry inventory level and eased the tense market situation.

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 2023, the Group recorded sales of refined oil income of approximately RMB3,021.1 million, representing an increase of approximately 18% and accounted for 95% of the total revenue of the same period. During the period, the sales volume of refined oil reached approximately 400 thousand tonnes (six months ended 30 June 2022: approximately 325 thousand tonnes), representing an increase of approximately 23% as compared with the same period last year. The increase in sales volume was mainly due to the increase in market demand of petroleum products due to the post-COVID normalization of economic activities in Northeastern China 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 2023, the Group recorded sales of natural gas income of approximately RMB129.6 million, representing an increase of approximately 49% and accounting for approximately 4% of the total revenue of the same period. During the period, the sales volume of CNG reached approximately 27.1 million cubic meters (six months ended 30 June 2022: approximately 20.8 million cubic meters), representing an increase of approximately 30% as compared with the same period last year. The increase in sales volume was mainly due to the increase in market demand of natural gas products due to the post-COVID normalization of economic activities in Northeastern China during the Period.

The table below shows the location of and product offer at our refuelling stations as at 30 June 2023:

City, Province	Gas refuelling stations	Petroleum refuelling stations	Mixed (gas and petroleum) refuelling stations	Total number of stations
Changchun City, Jilin Province	4	21	7	32
Jilin City, Jilin Province	2	5	–	7
Liaoyuan City, Jilin Province	–	1	1	2
Helong City, Jilin Province	1	–	–	1
Yanji City, Jilin Province	4	–	–	4
Wangqing, Jilin Province	1	–	–	1
Meihekou, Jilin Province	1	1	–	2
Antu, Jilin Province	–	–	–	–
Hunchun, Jilin Province	–	1	–	1
Longjing, Jilin Province	–	–	1	1
Baicheng, Jilin Province	1	2	–	3
Songyuan, Jilin Province	1	1	–	2
Siping City, Jilin Province	1	–	–	1
Tonghua City, Jilin Province	–	1	–	1
Baishan City, Jilin Province	–	1	–	1
Total station(s) in Jilin Province	**16**	**34**	**9**	**59**
Wuchang City, Heilongjiang Province	1	–	–	1
Total station(s) in Heilongjiang Province	**1**	**–**	**–**	**1**
Dandong City, Liaoning Province	–	13	1	14
Benxi City, Liaoning Province	–	1	–	1
Anshan City, Liaoning Province	–	5	–	5
Dalian City, Liaoning Province	–	1	–	1
Total station(s) in Liaoning Province	**–**	**20**	**1**	**21**
Total:	**17**	**54**	**10**	**81**

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics and Xinxin Logistics. For the first six months of 2023, the Group recorded the transportation income of approximately RMB33.4 million, representing an increase of approximately 6% 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 38 locomotives, 42 trailers and 40 head-mounted integrated vehicles (for petroleum transport), as well as 35 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 2023, the Group's revenue amounted to approximately RMB3,184.0 million, representing an increase of approximately RMB502.2 million or approximately 19% from approximately RMB2,681.8 million in the corresponding period in 2022. The increase in revenue was mainly attributable to the increase in the sales volume of the Company's wholesale and retail petroleum products during the first half of 2023.

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 2023, the Group's cost of sales increased by approximately 20% to approximately RMB3,011.4 million from approximately RMB2,505.0 million in the corresponding period in 2022 due to the increase in the sales volume of the Company's products during the first half of 2023.

The gross profit for the six months ended 30 June 2023 was approximately RMB172.6 million (six months ended 30 June 2022: approximately RMB176.8 million), with a gross profit margin of approximately 5% (the six months ended 30 June 2022: approximately 7%). The decline in gross profit margin was mainly attributable to (i) the decrease in gross profit margin 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 gross profit margin of the Company's products compared with that of the previous year.

Reversal/(Loss) of Impairment on Trade Receivables

For the six months ended 30 June 2023, reversal of impairment on trade receivables amounted to approximately RMB2.1 million (six months ended 30 June 2022: impairment loss on trade receivables of approximately RMB1.6 million).

Other Income

Other income mainly comprises rental income from operating lease. For the six months ended 30 June 2023, other income amounted to approximately RMB5.9 million, representing an increase of approximately RMB3.0 million from approximately RMB2.9 million in the corresponding period in 2022. The increase in other income was mainly attributable to the increase in subsidies granted by the PRC government to the Group during the first half of 2023.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2023, staff costs amounted to approximately RMB81.7 million, representing an increase of approximately RMB6.7 million from approximately RMB75.0 million in the corresponding period in 2022. The increase in staff costs was principally attributable to the increase in average salary payable for staff during the first half of 2023.

Other Operating Expenses and Finance Costs

Other operating expenses, including utilities expenses related to gas and oil refuelling stations and other general office and administrative expenses increased by 28%, from approximately RMB28.3 million to approximately RMB36.2 million. The increase was mainly attributable to the increase in operating activities of the Company with post-COVID normalization of economic activity in first half of 2023.

For the six months ended 30 June 2023, the finance costs decreased by 18% from approximately RMB18.8 million for the six months ended 30 June 2022 to approximately RMB15.5 million for the six months ended 30 June 2023.

Share of Profits of an Associate

The Group shared profits from the associate 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 RMB0.6 million for the six months ended 30 June 2023.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2023 decreased by approximately RMB1.9 million, to approximately RMB10.6 million (six months ended 30 June 2022: approximately RMB12.5 million).

Income Tax

For the six months ended 30 June 2023, income tax decreased by approximately RMB1.7 million, or approximately 33%, to approximately RMB3.4 million from approximately RMB5.1 million in the corresponding period in 2022. 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 2023, the net profit of the Group amounted to approximately RMB7.1 million, representing a decrease of approximately RMB0.3 million from approximately RMB7.4 million in the corresponding period in 2022.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2023. Total assets remained stable and amounted to approximately RMB1,454.4 million (31 December 2022: approximately RMB1,555.5 million), and total equity increased by approximately 2% to approximately RMB477.9 million (31 December 2022: approximately RMB467.6 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2023 amounted to approximately RMB31.6 million and capital commitments as at 30 June 2023 amounted to approximately RMB12.4 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 2023 and 31 December 2022 are summarised below:

	30 June 2023		31 December 2022	
	RMB'000	***%***	*RMB'000*	*%*
Short-term borrowings	**270,750**	**84**	298,925	100
Long-term borrowings	**52,500**	**16**	–	–
Currency denomination				
– RMB	**323,250**	**100**	298,925	100
Borrowings				
– secured	**313,250**	**97**	298,925	100
– unsecured	**10,000**	**3**	–	–
Interest rate structure				
– fixed-rate borrowings	**313,250**	**97**	298,925	100
– variable-rate borrowings	**10,000**	**3**	–	–
Interest rate				
– fixed-rate borrowings		**3.7%-7.5%**		3.7%-7.5%
– variable-rate borrowings		**3.7%**		–

As at 30 June 2023, the Group's gearing ratio was approximately 67% (31 December 2022: approximately 70%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2023 and 31 December 2022 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 2023** *HK$'000*	**Remaining balance at at 30 June 2023** *HK$'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	5,800	–	–
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**	**65,600**	**50,000**	

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 2023, the aggregate carrying amount of the property, plant and equipment of the Group of RMB32.6 million were pledged for the Group's bank and other loans and bank acceptance bills facilities. As at 30 June 2023, bank loans and bank acceptance bills facilities of the Group amounted to RMB140.0 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 2023, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2023, the Group had 1,551 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 2023, 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 2023.

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

Looking into the second half of the year, the domestic economy is expected to improve. Coupled with "peak power demand in the summer" and "power supply guarantee in the winter", the supply and demand dynamics is expected to improve in the second half. According to JLC Network Technology Co., Ltd ("**JLC**")'s estimate, the domestic apparent consumption of natural gas may increase by 7.2% year-on-year in 2023. In addition, in the second half of the year, major oil and gas fields are anticipated to maintain high-load operation to guarantee supply, ensure price stability and strengthen energy security. JLC also made an estimate based on the annual production targets of major oil and gas fields that China's natural gas production may increase by 5.2% year-on-year in 2023. In terms of import volume, in the second half of 2023, with the successive commissioning of multiple domestic LNG receiving stations, China's LNG import receiving capacity will further increase with more market participants. At the same time, the downstream demand may be boosted as the domestic economy develops in a good way. The high temperature in summer may also stimulate the demand for natural gas and electricity in southern China.

According to the "Gas Market Report, Q2-2023" by the International Energy Agency, the domestic coal imports hit a record high in the first quarter of the year, and the growth trend is expected to continue for the rest of this year, partly driven by the continued zero-tariff policy on coal imports through the end of the year, and partly due to the further increase in the proportion of renewable energy in China's energy mix. The annual domestic natural gas consumption is expected to rebound by 5% to 7% in 2023. The CNPC Economics and Technology Research Institute also predicted in its report that the national natural gas demand will resume rapid growth with its annual consumption increasing to 386.5 billion cubic meters and growth rate rebounding to 5.2%.

The International Energy Agency released the "2023 Oil Market Report" in June this year, stating that the oil market is poised to grow well between 2022 and 2028, but the global oil demand growth will slow down significantly. The spike in oil prices after Russia's invasion of Ukraine has highlighted concerns over oil supply security and further accelerated the deployment of clean energy technologies. Specific to the Chinese market, the "China Petroleum Market Situation and Prospects" issued by the PetroChina Economics and Technological Research Institute stated that the Chinese oil market has entered a new stage, and oil consumption demand has transitioned from high growth to medium-to-low growth. Meanwhile, the oil demand structure is also rapidly changing from fuel to raw material needs. According to the "China Petroleum Market Situation and Prospects" report, the low-carbon transformation of China's transportation sector will accelerate the consumption peaking of refined oil – oil is anticipated to keep its dominant position in the transportation energy consumption only with a decreasing proportion by 2023, and oil demand is expected to enter a plateau peak level by 2030.

On the other hand, in order to achieve China's goal of carbon peaking and energy mix transformation by 2030, the new energy vehicle market developed rapidly in the past few years. Recently, the China Association of Automobile Manufacturers announced the car sales data for the first half of 2023, showing that the sales volume of China's new energy vehicles was 1.546 million units from January to June, a year-on-year increase of 137%. The continuous increase in the number of new energy vehicles has also promoted the growth of the demand for charging piles. To comply with national policies and adapt to market trends, the Group is also considering expanding our charging pile business in the future by adding charging piles at existing gas stations to provide charging services for new energy vehicles.

As the international energy market continues to shift to renewable and clean energy sources, oil energy will still occupy an important position in the near time frame. The proximity of the northeast region to the source of natural gas and its cold climate provide opportunities for the consumption of natural gas. As the domestic economy continues to recover in the second half of the year, the Group will seize the opportunity of the recovery of the domestic oil and gas market to further optimize the distribution and transportation of natural gas and oil, while responding to the carbon peaking and carbon neutrality policy and adapting to the energy mix transformation of the country by diversifying our businesses and exploring new energy vehicle related areas to increase sources of income and lay a solid foundation for the long-term and steady development of the Group.

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 2023, 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 20 June 2023 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 2023 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 2023, 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 2023.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2023, 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 2023 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, 29 August 2023

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.