



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



INTERIM REPORT 2020

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	27
Management Discussion and Analysis	28
Other Information	37

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin (*Chairman*)
Mr. Liu Yingwu
Mr. Xu Huilin (*Chief Executive Officer*)
Mr. Yuan Limin
Mr. Ma Haidong

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
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Changchun
Jilin Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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AUDITOR

KPMG
(Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance)
8th Floor, Prince's Building
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COMPLIANCE ADVISOR

Zhongtai International Capital Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
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STOCK CODE

2337

COMPANY WEBSITE

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CONTACT DETAILS

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FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue		127,234	194,954
Gross profit		61,821	79,573
Profit for the period		2,753	18,663
Profit attributable to equity shareholders of the Company		3,287	18,693
Gross profit margin		49%	41%
Earning per share			
— Basic & Diluted (RMB)		0.01	0.08
		At 30 June	At 31 December
		2020	2019
		RMB'000	RMB'000
		(unaudited)	(audited)
Total assets		424,811	427,670
Net assets		260,725	274,762
Liquidity and Gearing			
Current ratio	1	1.47	2.50
Quick ratio	2	1.46	2.48
Gearing ratio	3	39%	36%

Notes:

1. Current ratio is calculated as current assets divided by current liabilities.
2. Quick ratio is calculated as current assets less inventories divided by current liabilities.
3. Gearing ratio is calculated as total liabilities divided by total assets.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited (Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	4(a)	127,234	194,954
Cost of sales		(65,413)	(115,381)
Gross profit	4(b)	61,821	79,573
Other income	5	4,533	5,857
Staff costs	6(b)	(23,288)	(25,231)
Depreciation expenses	6(c)	(13,400)	(14,577)
Other operating expenses		(10,367)	(14,201)
Profit from operations		19,299	31,421
Share of profits of a joint venture		1,520	1,363
Finance costs	6(a)	(4,189)	(2,900)
Costs incurred in connection with contemplated acquisitions of businesses	22	(10,096)	(2,699)
Profit before taxation	6	6,534	27,185
Income tax	7	(3,781)	(8,522)
Profit for the period		2,753	18,663
Attributable to:			
Equity shareholders of the Company		3,287	18,693
Non-controlling interests		(534)	(30)
Profit for the period		2,753	18,663
Earnings per share			
– Basic and diluted (RMB)	8	0.01	0.08

The notes on pages 12 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

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

The notes on pages 12 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited (Expressed in RMB)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	9	158,038	157,487
Interest in a joint venture		80,605	77,556
Deferred tax assets	15(b)	1,944	1,742
		240,587	236,785
Current assets			
Inventories		1,460	1,615
Trade receivables	10	7,232	9,198
Prepayments, deposits and other receivables	11	39,500	122,260
Income tax recoverable		705	338
Cash and cash equivalents	12	135,327	57,474
		184,224	190,885
Current liabilities			
Bank loans	13(a)	64,538	25,000
Trade payables	14	1,222	4,576
Accrued expenses and other payables		26,757	23,159
Dividends payable	16(a)	17,855	–
Lease liabilities		9,261	14,512
Income tax payable		5,581	9,172
		125,214	76,419
Net current assets			
		59,010	114,466
Total assets less current liabilities			
		299,597	351,251
Non-current liabilities			
Bank loans	13(b)	2,779	43,925
Lease liabilities		32,237	26,790
Deferred tax liabilities	15(b)	3,856	5,774
		38,872	76,489
NET ASSETS			
		260,725	274,762

The notes on pages 12 to 26 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

At 30 June 2020 – unaudited (Expressed in RMB)

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
CAPITAL AND RESERVES		
Share capital	19,794	19,794
Reserves	235,352	248,555
Total equity attributable to equity shareholders of the Company	255,146	268,349
Non-controlling interests	5,579	6,413
TOTAL EQUITY	260,725	274,762

The notes on pages 12 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – 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 2019	19,794	120,037	(19,967)	3,825	6,789	118,342	248,820	6,648	255,468
Changes in equity for the six months ended 30 June 2019:									
Profit/(loss) for the period	-	-	-	-	-	18,693	18,693	(30)	18,663
Other comprehensive income for the period	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income	-	-	-	-	(15)	18,693	18,678	(30)	18,648
Dividends approved in respect of the previous year	-	(17,465)	-	-	-	-	(17,465)	-	(17,465)
Distributions paid by a subsidiary to non-controlling equity owners	-	-	-	-	-	-	-	(286)	(286)
	-	(17,465)	-	-	-	-	(17,465)	(286)	(17,751)
Balance at 30 June 2019 and 1 July 2019	19,794	102,572	(19,967)	3,825	6,774	137,035	250,033	6,332	256,365
Changes in equity for the six months ended 31 December 2019:									
Profit for the period	-	-	-	-	-	16,949	16,949	81	17,030
Other comprehensive income for the period	-	-	-	-	1,367	-	1,367	-	1,367
Total comprehensive income	-	-	-	-	1,367	16,949	18,316	81	18,397
Appropriation to reserves	-	-	-	1,699	-	(1,699)	-	-	-
Balance at 31 December 2019	19,794	102,572	(19,967)	5,524	8,141	152,285	268,349	6,413	274,762

The notes on pages 12 to 26 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2020 – 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 2020	19,794	102,572	(19,967)	5,524	8,141	152,285	268,349	6,413	274,762
Changes in equity for the six months ended 30 June 2020:									
Profit/(loss) for the period	-	-	-	-	-	3,287	3,287	(534)	2,753
Other comprehensive income for the period	-	-	-	-	1,365	-	1,365	(26)	1,339
Total comprehensive income	-	-	-	-	1,365	3,287	4,652	(560)	4,092
Dividends approved in respect of the previous year (Note 16(a))	-	(17,855)	-	-	-	-	(17,855)	-	(17,855)
Distributions paid by a subsidiary to non-controlling equity owners	-	-	-	-	-	-	-	(274)	(274)
	-	(17,855)	-	-	-	-	(17,855)	(274)	(18,129)
Balance at 30 June 2020	19,794	84,717	(19,967)	5,524	9,506	155,572	255,146	5,579	260,725

The notes on pages 12 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 – unaudited (Expressed in RMB)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations		109,256	64,208
Income tax paid		(9,859)	(8,299)
Net cash generated from operating activities		99,397	55,909
Investing activities			
Payments for purchase of property, plant and equipment		(9,295)	(2,794)
Payments for acquisition of a joint venture		–	(71,617)
Other cash flows arising from investing activities		111	514
Net cash used in investing activities		(9,184)	(73,897)
Financing activities			
Proceeds from new bank loans		4,243	43,119
Repayment of bank loans		(7,110)	–
Capital element of lease rentals paid		(5,787)	(9,205)
Interest element of lease rentals paid		(1,204)	(1,076)
Other cash flows arising from financing activities		(3,259)	(1,700)
Net cash (used in)/generated from financing activities		(13,117)	31,138
Net increase in cash and cash equivalents		77,096	13,150
Cash and cash equivalents at 1 January	12	57,474	127,918
Effect of foreign exchange rate changes		757	371
Cash and cash equivalents at 30 June	12	135,327	141,439

The notes on pages 12 to 26 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 sale of natural gas to vehicular end – users by operating refuelling stations and provision of petroleum and gas transportation 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 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial 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 auditors of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the board of directors of the Company is included on page 27.

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Further details regarding the Group's principal activities are disclosed in Note 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	
	2020 RMB'000	2019 RMB'000
Disaggregation by major products or service lines:		
– Sales of natural gas by operating refuelling stations	95,361	158,706
– Revenue from the provision of transportation services	26,533	32,096
– Revenue from the trading of liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") and related chemical products	5,340	4,152
	127,237	194,957

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b).

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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sale of natural gas: this segment sells compressed natural gas ("CNG"), LPG and LNG to vehicular end-users by operating refuelling stations, and trading of LPG, LNG, and related chemical products.
- Provision of transportation services: this segment provides petroleum and gas transportation services by managing dangerous goods transportation vehicles.

(i) Segment results, assets and liabilities

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

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

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

4 REVENUE AND SEGMENT REPORTING (continued)**(b) Segment reporting (continued)****(i) Segment results, assets and liabilities (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 2020		
	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregation by timing of revenue recognition:			
– Point in time	100,701	–	100,701
– Over time	–	26,533	26,533
Revenue from external customers	100,701	26,533	127,234
Inter-segment revenue	667	4,639	5,306
Reportable segment revenue	101,368	31,172	132,540
Reportable segment gross profit	38,543	23,278	61,821

	Six months ended 30 June 2019		
	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregation by timing of revenue recognition:			
– Point in time	162,858	–	162,858
– Over time	–	32,096	32,096
Revenue from external customers	162,858	32,096	194,954
Inter-segment revenue	1,317	6,457	7,774
Reportable segment revenue	164,175	38,553	202,728
Reportable segment gross profit	53,550	26,023	79,573

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	
	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	132,540	202,728
Elimination of inter-segment revenue	(5,306)	(7,774)
Consolidated revenue (Note 4(a))	127,234	194,954

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

(iii) Geographic information

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

5 OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Rental income:		
– from operating leases	913	1,836
– from entrustment fee in connection with petroleum refuelling stations entrusted to a related party (Note 19)	550	550
– COVID-19-related rent concessions (Note 19)	453	–
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party (Note 19)	2,000	2,000
Net gain on disposal of a subsidiary	–	944
Net gain/(loss) on disposal of property, plant and equipment	405	(113)
Net foreign exchange (loss)/gain	(223)	99
Interest income	85	298
Others	350	243
	4,533	5,857

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

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

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

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

(c) Other items:

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

7 INCOME TAX

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current taxation		
Provision for the period	5,901	8,736
Deferred taxation (Note 15(a))		
– Origination and reversal of temporary differences	(2,120)	(214)
	3,781	8,522

7 INCOME TAX (continued)

Notes:

- (i) *The Company, a subsidiary of the Group incorporated in the British Virgin Islands and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2020 (six months ended 30 June 2019: 16.5%). One of the Group's subsidiaries incorporated in Hong Kong is eligible for the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.*
- (ii) *The Company and a subsidiary of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.*
- (iii) *The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).*
- (iv) *One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2020 (six months ended 30 June 2019: 15%).*

8 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2020 and 2019.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Owned property, plant and equipment

During the six months ended 30 June 2020, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB9,295,000 (six months ended 30 June 2019: RMB2,794,000). Items of property, plant and equipment with a net book value of approximately RMB201,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB113,000), resulting in a loss on disposal of RMB195,000 (six months ended 30 June 2019: RMB113,000).

(b) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of buildings and properties, refuelling stations and related equipment, and therefore recognised the additions to right-of-use assets of RMB9,849,000.

During the six months ended 30 June 2020, the Group received rent concessions of RMB453,000 in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

As disclosed in Note 3, the Group has early adopted the Amendment to IFRS 16, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

10 TRADE RECEIVABLES

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

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

(a) Ageing analysis

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	5,711	9,198
1 to 3 months	1,521	–
	7,232	9,198

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Prepayments for purchase of inventories and services from:		
– related parties	1,423	1,208
– third parties	15,495	8,939
	16,918	10,147
Deposits to suppliers (<i>Note (i)</i>)	19,907	111,100
Advances to staff	429	920
Others	2,246	93
	39,500	122,260

Note:

- (i) These deposits were made to LNG, LPG and related chemical products suppliers to secure the supply of the related products for irrevocable sales orders placed by customers with the Group arising from the Group's trading of LPG, LNG and related chemical products business.

12 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash at bank and on hand	135,327	57,474

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Secured by property, plant and equipment and guaranteed by a subsidiary of the Group	18,000	25,000
Add: current portion of long-term bank loans (<i>Note 13(b)</i>)	46,538	–
	64,538	25,000

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Secured by property, plant and equipment of the Group	4,133	–
Secured by equity interests of a subsidiary, and guaranteed by the controlling shareholder of the Group and a related party	45,184	43,925
	49,317	43,925
Less: current portion of long-term bank loans (<i>Note 13(a)</i>)	(46,538)	–
	2,779	43,925

(c) At 30 June 2020, the aggregate carrying amount of the property, plant and equipment pledged for the Group's short-term and long-term bank loans is RMB21,062,000 (31 December 2019: RMB15,862,000).

14 TRADE PAYABLES

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

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

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

15 DEFERRED TAX ASSETS AND LIABILITIES

(a) The deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Assets					Liabilities		Net RMB'000
	Unused tax losses RMB'000	Accruals RMB'000	Credit loss allowance RMB'000	Impairment loss on property, plant and equipment RMB'000	Depreciation and finance costs arising from capitalisation of leases RMB'000	Fair value adjustments on property, plant and equipment and subsequent depreciation RMB'000	Retained profits to be distributed RMB'000	
At 1 January 2019	4	52	12	94	-	(2,922)	(3,300)	(6,060)
(Charged)/credited to the consolidated statement of profit or loss	-	(52)	10	-	428	92	(100)	378
Effect resulting from a change in applicable withholding tax rate	-	-	-	-	-	-	1,650	1,650
At 31 December 2019	4	-	22	94	428	(2,830)	(1,750)	(4,032)
Credited to the consolidated statement of profit or loss (Note 7)	253	-	14	-	57	46	1,750	2,120
At 30 June 2020	257	-	36	94	485	(2,784)	-	(1,912)

15 DEFERRED TAX ASSETS AND LIABILITIES (continued)**(b) Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	1,944	1,742
Deferred tax liabilities recognised in the consolidated statement of financial position	(3,856)	(5,774)
	(1,912)	(4,032)

16 DIVIDENDS**(a) Dividends****(i) Dividends payable to equity shareholders of the Company attributable to the interim period**

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: RMBNil).

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

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

17 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 2020 and 31 December 2019.

18 COMMITMENTS**(a) Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Commitments in respect of property, plant and equipment:		
– Contracted for	4,817	–
– Authorised but not contracted for	5,333	21,559
	10,150	21,559

19 MATERIAL RELATED PARTY TRANSACTIONS

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 other close family members during the interim period are set out below.

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Provision of transportation services	20,292	24,575
Purchases of goods	5,440	7,805
Rental income:		
– from operating leases	40	62
– from entrustment fee in connection with petroleum refuelling stations entrusted to a related party (Note 5)	550	550
– COVID-19-related rent concessions (Note 5)	453	–
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party (Note 5)	2,000	2,000
Operating lease charges (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	1,986	2,035
Entrustment fee in connection with gas refuelling stations entrusted from a related party (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	1,725	1,725
Guarantees provided for the Group's bank loans at 30 June 2020/31 December 2019	45,184	43,925

20 IMPACTS FROM THE COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The directors of the Company have been closely monitoring the impact from the COVID-19 pandemic on the Group and has put in place various contingency measures. These contingency measures included but not limited to carrying out reassessment on the demand and reassessing the flexibility of the current mechanisms in determining the selling price of natural gas in light of its correlation to the price of crude oil, expanding the supplier base of natural gas in ensuring the adequate supply of natural gas to meet customers' demands 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. The Group will keep the contingency measures under review as the COVID-19 pandemic situation evolves.

As far as the Group's businesses are concerned, the COVID-19 pandemic and the volatility in the crude oil markets have caused the decrease in both the sales volume and selling price of the Group's natural gas. The gradual easing of the COVID-19 pandemic situation in the Mainland China and stabilisation of the global crude oil markets have led to the recovery of the demand and selling price of natural gas since then. In addition to the above, the Group also received rent concession of RMB453,000 and waive of contributions to defined contribution retirement plan of RMB1,400,000 during the interim period.

The exact timing and extent of recovery of the Group's business are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the directors of the Company are optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitoring the situation and implement contingency measures, where necessary, in a view to reduce the impacts from the COVID-19 pandemic.

21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

22 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

(a) Acquisitions of businesses

On 24 July 2020, the equity shareholders of the Company have approved the Company to acquire the petroleum refuelling business, comprising the operation of 67 petroleum stations and 3 petroleum storage facilities, and the provision of transportation of petroleum services business (together as the "Petroleum Refuelling Business") through the acquisition of the entire issued share capital of Eternal Global Investment Limited, a related party. The consideration is HK\$650,000,000, comprising (1) the allotment and issue of 100,000,000 ordinary shares in the Company at HK\$5.00 per ordinary share, and (2) cash consideration of HK\$150,000,000.

The acquisition of the Petroleum Refuelling Business has been completed as of the date of the issuance of this interim financial report.

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 26 which comprises the consolidated statement of financial position of United Strength Power Holdings Limited as of 30 June 2020 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 2020 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

28 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

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

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

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

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

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

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

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

1. BUSINESS AND FINANCIAL REVIEW (continued)

Provision of Transportation Services

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

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

Operating Results

Revenue

The Group’s principal business activities are sales of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services. For the six months ended 30 June 2020, the Group’s revenue amounted to approximately RMB127.2 million, representing a decrease of approximately RMB67.8 million or approximately 35% from approximately RMB195.0 million in the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in the sales volume due to the temporary interruption of economic activities in PRC brought by COVID-19 outbreak and average selling price of the Company’s products during the first half of 2020.

Cost of Sales and Gross Profit

The Group’s cost of sales mainly represents all costs of purchase of CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and condition and transportation costs. For the six months ended 30 June 2020, the Group’s cost of sales decreased by approximately 43% to approximately RMB65.4 million from approximately RMB115.4 million in the corresponding period in 2019 due to the decrease in total purchase of the products which is generally in line with the decreasing trend of revenue and unit cost of procurement of the Company’s products during the first half of 2020.

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

Other Income

Other income mainly comprises rental income and management fee. For the six months ended 30 June 2020, other income amounted to approximately RMB4.5 million, representing a decrease of approximately RMB1.4 million from approximately RMB5.9 million in the corresponding period in 2019. The decrease in other income was mainly attributable to the decrease in rental income from operating leases during the first half of 2020 and the Company did not record any gain on disposal of a subsidiary for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB0.9 million).

Staff Costs

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

1. BUSINESS AND FINANCIAL REVIEW (continued)

Depreciation Expenses

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

Other Operating Expenses and Finance Costs

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

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

Costs Incurred in Connection with Contemplated Acquisitions of Businesses

Costs incurred in connection with contemplated acquisitions of businesses represent the professional fees and other expenses incurred in relation to the acquisition of the entire issued share capital of Eternal Global Investments Limited (“**Eternal Global**”) which was subsequently completed on 24 August 2020. For details, please refer to the Company’s circular dated 30 June 2020.

Share of Profits of a Joint Venture

With the completion of acquisition of Silver Spring Green Energy Limited (“**Silver Spring**”), the Group shared a profits from the joint venture of our Group with China Travel Service International Financial Leasing Company Limited (“**CTS Financial Leasing**”), which is held as to 30% indirectly by our Group upon completion of the acquisition. The share of profits of CTS Financial Leasing amounted to approximately RMB1.5 million for the six months ended 30 June 2020.

Profit before Taxation

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

Income Tax

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

Profit for the Period

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

1. BUSINESS AND FINANCIAL REVIEW (continued)

FINANCIAL RESOURCES AND LIQUIDITY

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

Capital Expenditure

Capital expenditure for the six months ended 30 June 2020 amounted to approximately RMB9.3 million and capital commitments as at 30 June 2020 amounted to approximately RMB10.2 million. Both the capital expenditure and capital commitments mainly related to the purchases of property, plant and equipment. The Group anticipates that funding for those commitments will come from the proceeds from initial public offerings (“IPO”), future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group’s borrowings as at 30 June 2020 and 31 December 2019 are summarised below:

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

As at 30 June 2020, the Group’s gearing ratio was approximately 39% (31 December 2019: approximately 36%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2020 and 31 December 2019 respectively.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Use of proceeds

The Company received total gross proceeds from the placing on 24 August 2020 of HK\$200.0 million. The net proceeds (after deducting professional fees and all related expenses in relation to the Acquisition and placing of HK\$39.3 million, of which approximately HK\$5.0 million is directly attributable to the issue of new placing shares) is HK\$160.7 million (equivalent to HK\$0.43 per Share), and as to approximately 93.3%, equivalent to approximately HK\$150.0 million, is applied for settling the consideration of the Acquisition, and the balance of the proceeds of approximately HK\$10.7 million, equivalent to approximately 6.7% of the net proceeds, will be applied for general working capital of the Enlarged Group.

The Company has received net proceeds of approximately HK\$115.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 16 October 2017. On 27 November 2018 and 31 January 2019, the Board resolved to change the proposed use of proceeds from that originally set out in the prospectus for the global offering. Details of which are set out in the announcements of the Company dated 27 November 2018 and 31 January 2019 respectively. The unutilised proceeds have been placed with the licensed banks and financial institutions in Hong Kong and the PRC as interest-bearing deposits. Set out below is a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the utilisation of the net proceeds:

	Original allocation HK\$'000	Revised allocation HK\$'000	Utilization as at 30 June 2020 HK\$'000	Remaining balance at at 30 June 2020 HK\$'000	Expected timeline for full utilization of the remaining proceeds
Finance the expansion of the CNG refuelling station network	104,000	19,500	19,500	–	–
Strengthen the marketing and promotion strategies	5,800	5,800	2,491	3,309	By the end of 2021
General working capital	5,800	5,800	5,800	–	–
Establishment of an industry merger and acquisition fund	–	50,000	–	50,000	By the end of 2021
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	–	–
Total	115,600	115,600	62,291	53,309	

The Board considers that the changes in the use of proceeds and the treatment of unutilised proceeds are fair and reasonable, and would meet the financial needs of the Group more efficiently and enhance the flexibility in financial management of the Company. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Pledge of Assets

As at 30 June 2020, the Group's bank loan of RMB22.1 million was secured by property, plant and equipment with an aggregate carrying value of approximately RMB21.1 million. The Group's bank loan of HK\$50 million, which are repayable between one to two years, was secured by the equity interests of Silver Spring and personally guaranteed by Mr. Zhao Jinmin (趙金岷先生) ("Mr. Zhao"), the ultimate controlling shareholder, executive director and chairman of the Board of the Company, and Ms. Ji Yuanyuan (姬媛媛女士) ("Ms. Ji"), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this report and as at 30 June 2020, the Board is not aware of any material contingent liabilities.

Changes in Directors' Information

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the change in information of the Directors for the six months ended 30 June 2020 and up to the date of this interim report is set out below:

Mr. Ma Haidong has been appointed as an executive director of the Company on 24 August 2020. For details, please refer to the Company's announcement dated 24 August 2020.

Human Resources

As at 30 June 2020, the Group had 536 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the share option scheme on 21 September 2017 (the "Share Option Scheme"), under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 2020, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

The Company entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Eternal Global at the consideration of HK\$650 million (the "Acquisition"). The consideration comprise of (1) the allotment and issue of 100,000,000 ordinary shares in the Company at HK\$5.00 per ordinary share, and (2) cash consideration of HK\$150,000,000. For details, please refer to the announcements of the Company dated 18 September 2019, 25 September 2019, 28 February 2020, 26 June 2020 and 24 July 2020 and the Company's circular dated 30 June 2020 respectively. The Company has completed the Acquisition on 24 August 2020. For details, please refer to the announcement of the Company dated 24 August 2020.

As part of the conditions precedent under the sale and purchase agreement, the placing was completed on 24 August 2020. Immediately upon the completion of the placing, an aggregate of 40,000,000 placing shares have been successfully placed by the underwriters to not less than six placees at the placing price of HK\$5.00 per placing share pursuant to the terms and conditions of the placing agreement. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) each of the placees and where appropriate, their respective ultimate beneficial owners, is an independent third party; (ii) none of the placees has become a substantial shareholder (as defined under the Listing Rules) upon completion; and (iii) not more than 50% of the placing shares are beneficially owned by the three largest placees at the placing completion. For details on the use of proceeds from the placing, please refer to the above paragraph headed "Use of proceeds" and the Company's announcement dated 24 August 2020.

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

1. BUSINESS AND FINANCIAL REVIEW (continued)

Foreign Exchange Risk Management

The Group's sales and purchases during the period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

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

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

2. BUSINESS PROSPECTS(continued)

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

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

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

OTHER INFORMATION

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 2020, 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 2)	Interest of a controlled corporation	201,928,240 (long position)	86.10%
Mr. Liu Yingwu ("Mr. Liu") (Note 3)	Interest of a controlled corporation	27,287,600 (long position)	11.64%

Notes:

- The percentage is calculated on the basis of 234,502,000 Shares in issue as at 30 June 2020 but does not take into account of any Shares which may be allotted and issued pursuant to the completion of the proposed very substantial acquisition and connected transaction (the "Proposed Acquisition") of the Company, details of which are set out in the circular of the Company dated 30 June 2020 (the "VSA Circular").*
- These underlying shares comprise (i) 130,148,240 Shares held in the name of Golden Truth Holdings Limited ("Golden Truth"); and (ii) 71,780,000 Shares to be allotted and issued to Propitious Peak Limited ("Propitious Peak") upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Circular. Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman and an executive Director. By virtue of the SFO, Mr. Zhao is deemed to be interested in the shares in which Golden Truth and Propitious Peak are interested. Immediately after the completion of the Proposed Acquisition on 24 August 2020, Mr. Zhao holds an aggregate of approximately 53.92% of the issued share capital of the Company.*
- 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 to be allotted and issued to Amber Heyday Limited ("Amber Heyday") upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Circular. 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. Immediately after the completion of the Proposed Acquisition on 24 August 2020, Mr. Liu holds an aggregate of approximately 7.29% of the issued share capital of the Company.*
- The Proposed Acquisition was completed on 24 August 2020. For details, please refer to the announcement of the Company dated 24 August 2020.*

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 2020, 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 2020 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 2)	Beneficial owner and Interest of Controlled Corporation	201,928,240	86.10%
Propitious Peak (Note 2)	Beneficial owner	71,780,000	30.61%
Ji Yuanyuan (Note 3)	Interest of spouse	201,928,240	86.10%
Xu Hang (Note 4)	Interest of controlled corporation	40,931,400	17.45%
Dynamic Fame Global Limited (Note 4)	Beneficial owner and Interest of Controlled Corporation	40,931,400	17.45%
Immense Ocean Limited (Note 4)	Beneficial owner	14,550,000	6.20%
Heroic Year (Note 5)	Beneficial owner and Interest of Controlled Corporation	27,287,600	11.64%
Ma Dan (Note 6)	Interest of spouse	27,287,600	11.64%

Notes:

- The percentage is calculated on the basis of 234,502,000 Shares in issue as at 30 June 2020 but does not take into account of any Shares which may be allotted and issued pursuant to the completion of the Proposed Acquisition of the Company, details of which are set out in the VSA Circular.
- These underlying shares comprise (i) 130,148,240 Shares held in the name of Golden Truth; and (ii) 71,780,000 Shares to be allotted and issued to Propitious Peak Limited upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Circular. Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman and an executive Director. Immediately after the completion of the Proposed Acquisition on 24 August 2020, Mr. Zhao holds an aggregate of approximately 53.92% of the issued share capital of the Company.
- 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) 26,381,400 Shares held in the name of Dynamic Fame Global Limited ("Dynamic Fame"); and (ii) 14,550,000 Shares to be allotted and issued to Immense Ocean Limited ("Immense Ocean") upon the completion of the Proposed Acquisition. For further details, please refer to the VSA Circular. 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. Immediately after the completion of the Proposed Acquisition on 24 August 2020, Ms. Xu holds an aggregate of approximately 10.93% of the issued share capital of the Company.
- These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year; and (ii) 9,700,000 Shares to be allotted and issued to Amber Heyday upon the completion of the Proposed Acquisition. Amber Heyday is wholly owned by Heroic Year which is in turn wholly owned by Mr. Liu, an executive Director. Immediately after the completion of the Proposed Acquisition on 24 August 2020, Mr. Liu holds an aggregate of approximately 7.29% of the issued share capital of the Company.
- 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.
- The Proposed Acquisition was completed on 24 August 2020. For details, please refer to the announcement of the Company dated 24 August 2020.

Save as disclosed above, as at 30 June 2020, 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 10% 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 2020, 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 2020, except the following:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that held on 24 June 2020 respectively due to their overseas commitments.

AUDIT COMMITTEE

The Company established the Audit Committee on 21 September 2017 with written terms of reference in compliance with the CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management and internal control system of the Group. Currently, the Audit Committee comprises Mr. Lau Ying Kit (Chairman), Ms. Su Dan and Mr. Zhang Zhifeng, all of whom are independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2020, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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 an 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 2020, 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 2020 (six months ended 30 June 2019: 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 THE 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 2020.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and bankers for their support to the Group throughout the period.

By Order of the Board
United Strength Power Holdings Limited
Mr. Zhao Jinmin
Chairman

Hong Kong, 28 August 2020