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

2023
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong
Mr. Wang Zhiwei

Non-Executive Director

Mr. Xu Huilin

Independent Non-Executive Directors

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Xu Huilin
Mr. Lo Wai Kit

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

REGISTERED OFFICE

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Cayman Islands

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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
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Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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

AUDITOR

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

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CONTACT DETAILS

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FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue	**3,184,044**	2,681,756
Gross profit	**172,608**	176,804
Profit for the period	**7,147**	7,425
Profit attributable to equity shareholders of the Company	**6,433**	5,708
Gross profit margin	**5%**	7%
Earning per share		
– Basic & Diluted (RMB)	**0.02**	0.02

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Total assets	**1,454,435**	1,555,454
Net assets	**477,864**	467,624

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited (Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue	*4*	**3,184,044**	2,681,756
Cost of sales		**(3,011,436)**	(2,504,952)
Gross profit	*4(b)*	**172,608**	176,804
Other income	*5*	**5,928**	2,906
Staff costs	*6(b)*	**(81,671)**	(74,959)
Depreciation expenses	*6(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	*6(a)*	**(15,486)**	(18,833)
Profit before taxation	*6*	**10,577**	12,528
Income tax	*7*	**(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)	*8*	**0.02**	0.02

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 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

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

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	*9*	**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 receivables	*10*	**32,826**	67,991
Prepayments, deposits and other receivables	*11*	**539,165**	586,312
Income tax recoverable		**6,119**	3,780
Restricted cash	*12*	**68,350**	78,350
Cash and cash equivalents	*13*	**85,264**	60,297
		838,512	932,997
Current liabilities			
Bank and other loans	*14(a)*	**270,750**	298,925
Trade and bills payables	*15*	**50,710**	63,901
Accrued expenses, other payables and contract liabilities	*16*	**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
Non-current liabilities			
Bank and other loans	*14(b)*	**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

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	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	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	32,293	719,491	(700,106)	15,000	(893)	346,019	411,804	36,857	448,661
Changes in equity for the six months ended 30 June 2022:									
Profit for the period	–	–	–	–	–	5,708	5,708	1,717	7,425
Other comprehensive income for the period	–	–	–	–	4,963	–	4,963	(123)	4,840
Total comprehensive income	–	–	–	–	4,963	5,708	10,671	1,594	12,265
Dividends approved in respect of the previous year *(Note 15(b))*	–	(8,176)	–	–	–	–	(8,176)	–	(8,176)
Distributions paid to non-controlling equity holders of a subsidiary	–	–	–	–	–	–	–	(91)	(91)
	–	(8,176)	–	–	–	–	(8,176)	(91)	(8,267)
Balance at 30 June 2022 and 1 July 2022	32,293	711,315	(700,106)	15,000	4,070	351,727	414,299	38,360	452,659
Changes in equity for the six months ended 31 December 2022:									
Profit for the period	–	–	–	–	–	10,822	10,822	704	11,526
Other comprehensive income for the period	–	–	–	–	3,563	–	3,563	(124)	3,439
Total comprehensive income	–	–	–	–	3,563	10,822	14,385	580	14,965
Balance at 31 December 2022	32,293	711,315	(700,106)	15,000	7,633	362,549	428,684	38,940	467,624

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

	Attributable to equity shareholders of the Company								
	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	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	32,293	711,315	(700,106)	15,000	7,633	362,549	428,684	38,940	467,624
Changes in equity for the six months ended 30 June 2023:									
Profit for the period	–	–	–	–	–	6,433	6,433	714	7,147
Other comprehensive income for the period	–	–	–	–	3,300	–	3,300	(102)	3,198
Total comprehensive income	–	–	–	–	3,300	6,433	9,733	612	10,345
Distributions paid to non-controlling equity holders of a subsidiary	–	–	–	–	–	–	–	(105)	(105)
Balance at 30 June 2023	32,293	711,315	(700,106)	15,000	10,933	368,982	438,417	39,447	477,864

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 – unaudited (Expressed in RMB)

		Six months ended 30 June	
		2023	2022
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations		**63,999**	108,494
Income tax paid		**(15,128)**	(17,080)
Net cash generated from operating activities		**48,871**	91,414
Investing activities			
Payments for purchase of property, plant and equipment		**(30,741)**	(1,426)
Proceeds from disposal of property, plant and equipment		**159**	167
Proceeds from disposal of subsidiaries		**520**	–
Other cash flows arising from investing activities		**751**	412
Net cash used in investing activities		**(29,311)**	(847)
Financing activities			
Proceeds from bank and other loans		**79,900**	9,000
Repayment of bank and other loans		**(55,575)**	(830)
Capital element of lease rentals paid		**(13,587)**	(31,798)
Interest element of lease rentals paid		**(11,044)**	(26,431)
Dividends paid to non-controlling equity holders of a subsidiary		**(105)**	(91)
Decrease/(increase) in pledged bank deposits		**10,000**	(20,000)
Other cash flows arising from financing activities		**(4,281)**	(4,787)
Net cash generated from/(used in) financing activities		**5,308**	(74,937)
Net increase in cash and cash equivalents		**24,868**	15,630
Cash and cash equivalents at 1 January	*13*	**60,297**	53,574
Effect of foreign exchange rate changes		**99**	463
Cash and cash equivalents at 30 June	*13*	**85,264**	69,667

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 29 August 2023.

The interim financial report 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 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 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors of the Company is included on page 28.

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (continued)

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

3 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*

3 CHANGES IN ACCOUNTING POLICIES (continued)

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 period have been prepared or presented in this interim financial report.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the retail sale of refined oil and natural gas by operating refuelling stations and storage facilities, wholesale of refined oil and the provision of transportation of petroleum and natural gas services.

Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue 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 4(b).

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Sale of refined oil: this segment carries out sales of refined oil to vehicular end-users by operation of petroleum refuelling stations, sales of refined oil to other petroleum refuelling stations, construction sites and other industrial users by operating petroleum storage facilities, and wholesale of refined oil to other industrial users;

– Sale of natural gas: this segment sells 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.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

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

	Six months ended 30 June 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

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	
	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 4(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.

5 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

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2023 **RMB'000**	2022 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 **RMB'000**	2022 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 **RMB'000**	2022 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

7 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%).

8 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 potential dilutive ordinary shares during the six months ended 30 June 2023 and 2022.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB31,604,000 (six months ended 30 June 2022: RMB315,000).

10 TRADE RECEIVABLES

	At 30 June 2023 RMB'000	At 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 and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2023 RMB'000	At 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

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Prepayments for purchase of inventories and services from:		
– related parties	177,786	215,806
– third parties	333,752	336,892
	511,538	552,698
Deposits to suppliers	5,614	5,941
Advances to staff	2,604	2,227
Value-added-tax recoverable	8,467	13,819
Others	10,942	11,627
Financial assets measured at amortised cost	27,627	33,614
	539,165	586,312

12 RESTRICTED CASH

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Pledged deposits for issuance of bank loans and bills	68,350	78,350

13 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank and on hand	85,264	60,297

Note: 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.

14 BANK AND OTHER LOANS

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank and other loans:		
Secured by property, plant and equipment and/or restricted bank deposits of the Group, and/or guaranteed by a subsidiary or related parties	203,350	203,350
Guaranteed by a subsidiary	7,000	2,000
Guaranteed by a third party	57,900	47,950
	268,250	253,300
Add: current portion of long-term bank and other loans *(Note 14(b))*	2,500	45,625
	270,750	298,925

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank and other loans:		
Secured by property, plant and equipment of the Group, and guaranteed by a subsidiary	45,000	45,625
Unsecured	10,000	–
	55,000	45,625
Less: current portion of long-term bank and other loans *(Note 14(a))*	(2,500)	(45,625)
	52,500	–

15 TRADE AND BILLS PAYABLES

	At 30 June 2023 RMB'000	At 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:

	At 30 June 2023 RMB'000	At 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

16 ACCRUED EXPENSES, OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Payables for staff related costs	**6,668**	9,308
Deposits from customers	**1,969**	1,316
Payables for acquisitions of property, plant and equipment	**5,346**	4,428
Other taxes payables	**2,258**	2,862
Payables to co-operative refuelling stations *(Note (i))*	**21,738**	61,140
Others	**12,429**	29,638
Financial liabilities measured at amortised cost	**50,408**	108,692
Contract liabilities – receipts in advance in connection with wholesale of refined oil due to:		
– related parties	**187**	8,732
– third parties	**125,802**	137,056
	125,989	145,788
Contract liabilities – vehicular end-users' prepaid cards for consumption at refuelling stations	**83,979**	104,135
	209,968	249,923
	260,376	358,615

Note:

(i) *The Group's vehicular end-users can purchase prepaid cards issued by the Group at the Group's refuelling stations. Under co-operation arrangements entered into between the Group and other small-size refuelling stations at surrounding areas in which the Group operates ("Co-operative Refuelling Stations"), the Group's vehicular end-users can use these prepaid cards at these Co-operative Refuelling Stations for the consumption of refined oil and natural gas. The Group will make periodic settlements with these Co-operative Refuelling Stations.*

17 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

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 2023 and 31 December 2022.

19 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report

	At 30 June 2023 **RMB'000**	At 31 December 2022 RMB'000
Commitments in respect of acquisitions of property, plant and equipment:		
Contracted for	**1,743**	287
Authorised but not contracted for	**10,693**	14,307
	12,436	14,594

20 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the interim financial report, the material related party transactions entered into by the Group with the equity shareholders of the Company and companies controlled by the equity shareholders of the Company and their close family members during the six months ended 30 June 2023 are set out below.

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Sales of goods	**9,331**	2,742
Provision of transportation services	**11,804**	10,888
Purchases of goods	**1,114,166**	748,210
Rental income from operating leases	**107**	189
Service fee paid for other services received	**846**	577

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Guarantees received for the Group's bank and other loans at the end of the reporting period	**20,000**	20,000
Guarantees received for the Group's bank acceptance bills facilities at the end of the reporting period	**30,000**	30,000

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 27 which comprises the consolidated statement of financial position of United Strength Power Holdings Limited as of 30 June 2023 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 months 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 2023 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

29 August 2023

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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Sales of Natural Gas Business (continued)

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**

1. BUSINESS AND FINANCIAL REVIEW (continued)

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics and Xinxin Logistics. For the first six months of 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).

1. BUSINESS AND FINANCIAL REVIEW (continued)

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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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 and/or guaranteed	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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

Use of proceeds

The Company has received net proceeds of approximately HK$115.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the initial public offerings ("**IPO**") on 16 October 2017. On 27 November 2018, 31 January 2019 and 30 March 2022, the Board resolved to change the proposed use of proceeds from that originally set out in the prospectus for the IPO. Details of which are set out in the announcements of the Company dated 27 November 2018, 31 January 2019 and 30 March 2022 respectively. The unutilised proceeds have been placed with the licensed banks and financial institutions in Hong Kong and the PRC as interest-bearing deposits. Set out below is a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the utilisation of the net proceeds:

	Original allocation HK$'000	Revised allocation HK$'000	Utilization as at 30 June 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.

1. BUSINESS AND FINANCIAL REVIEW (continued)

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 report 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

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 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares of the Company

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

Notes:

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

2. *These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year Limited ("**Heroic Year**"); and (ii) 9,700,000 Shares held in the name of Amber Heyday Limited ("**Amber Heyday**"). Amber Heyday is wholly owned by Heroic Year which is in turn wholly owned by Mr. Liu, an executive Director. By virtue of the SFO, Mr. Liu is deemed to be interested in the shares in which Heroic Year and Amber Heyday are interested.*

Long Position in the Shares of the Associated Corporations

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

Save as disclosed above, as at 30 June 2023, 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 2023 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Substantial shareholders

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

Notes:

1. *These underlying shares comprise (i) 138,049,240 Shares held in the name of Golden Truth; and (ii) 71,780,000 Shares held in name of Propitious Peak. Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman, an executive Director and Chief Executive Officer.*

2. *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.*

3. *These underlying shares comprise (i) 23,381,400 Shares held in the name of Dynamic Fame Global Limited ("**Dynamic Fame**"); and (ii) 14,550,000 Shares held in name of Immense Ocean Limited ("**Immense Ocean**"). Immense Ocean is wholly owned by Dynamic Fame which 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.*

4. *These underlying shares comprise (i) 17,587,600 Shares held in the name of Heroic Year; and (ii) 9,700,000 Shares held in name of Amber Heyday. Amber Heyday is wholly owned by Heroic Year which is in turn wholly owned by Mr. Liu, an executive Director.*

5. *Ms. Ma Dan is the spouse of Mr. Liu. By virtue of the SFO, Ms. Ma Dan is deemed to be interested in the shares in which Mr. Liu is interested.*

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

The Share Option Scheme will expire on 20 September 2027. No options have been granted under the Share Option Scheme as at 30 June 2023, 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 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), Ms. Su Dan and Mr. Zhang Zhifeng, all of whom are independent non-executive Directors.

Review of Interim Financial Information

The interim financial report for the six months ended 30 June 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.

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 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 suitability qualified to become members of the Board. Currently, the Nomination Committee comprises Mr. Xu Huilin who is a non-executive Director, and Ms. Su Dan and Mr. Zhang Zhifeng who are independent non-executive Directors. The Nomination Committee is chaired by Ms. Su Dan.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023 (six months ended 30 June 2022: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2023.

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