眾誠能源

UNITED STRENGTH POWER HOLDINGS LIMITED
眾誠能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2337)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2024, revenue increased by approximately 21% to approximately RMB3,839.4 million (six months ended 30 June 2023: approximately RMB3,184.0 million).

- For the six months ended 30 June 2024, profit attributable to equity shareholders of the Company increased by approximately 322% to approximately RMB27.0 million (six months ended 30 June 2023: approximately RMB6.4 million).

- For the six months ended 30 June 2024, basic earnings per share amounted to approximately RMB0.07 (six months ended 30 June 2023: approximately RMB0.02).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**", and its subsidiaries, collectively the "**Group**") hereby announces the unaudited condensed consolidated interim results for the six months ended 30 June 2024 together with comparative figures for the corresponding period in 2023.

Consolidated statement of profit or loss
For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**3,839,411**	3,184,044
Cost of sales		**(3,627,383)**	(3,011,436)
Gross profit	*3(b)*	**212,028**	172,608
Other income	*4*	**3,585**	5,928
Staff costs	*5(b)*	**(83,108)**	(81,671)
Depreciation expenses	*5(c)*	**(32,652)**	(37,422)
Impairment (loss)/reversal on trade receivables		**(973)**	2,147
Other operating expenses		**(43,638)**	(36,150)
Profit from operations		**55,242**	25,440
Share of profits of an associate		**524**	623
Finance costs	*5(a)*	**(13,696)**	(15,486)
Profit before taxation	*5*	**42,070**	10,577
Income tax	*6*	**(14,130)**	(3,430)
Profit for the period		**27,940**	7,147
Attributable to:			
Equity shareholders of the Company		**26,970**	6,433
Non-controlling interests		**970**	714
Profit for the period		**27,940**	7,147
Earnings per share			
– Basic and diluted (RMB)	*7*	**0.07**	0.02

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**27,940**	7,147
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	**893**	3,198
Total comprehensive income for the period	**28,833**	10,345
Attributable to:		
Equity shareholders of the Company	**27,886**	9,733
Non-controlling interests	**947**	612
Total comprehensive income for the period	**28,833**	10,345

Consolidated statement of financial position
At 30 June 2024 – unaudited
(Expressed in RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		**455,019**	488,498
Investment properties		**1,646**	1,711
Interest in an associate		**53,086**	52,185
Deferred tax assets		**48,106**	39,237
		557,857	581,631
Current assets			
Inventories		**182,522**	185,439
Trade receivables	*8*	**48,366**	34,258
Prepayments, deposits and other receivables		**744,328**	948,828
Income tax recoverable		**6,763**	7,573
Restricted cash		**71,350**	110,350
Cash and cash equivalents		**70,077**	46,517
		1,123,406	1,332,965
Current liabilities			
Bank and other loans		**311,221**	351,778
Trade and bills payables	*9*	**33,228**	27,160
Accrued expenses, other payables and contract liabilities		**474,536**	665,671
Lease liabilities		**58,828**	82,317
Income tax payable		**14,315**	13,768
		892,128	1,140,694
Net current assets		**231,278**	192,271
Total assets less current liabilities		**789,135**	773,902

Consolidated statement of financial position (continued)
At 30 June 2024 – unaudited
(Expressed in RMB)

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Non-current liabilities		
Bank and other loans	**49,729**	42,000
Lease liabilities	**221,064**	216,328
Deferred tax liabilities	**4,761**	3,467
	275,554	261,795
NET ASSETS	**513,581**	512,107
CAPITAL AND RESERVES		
Share capital	**32,293**	32,293
Reserves	**437,751**	437,210
Total equity attributable to equity shareholders of the Company	**470,044**	469,503
Non-controlling interests	**43,537**	42,604
TOTAL EQUITY	**513,581**	512,107

Notes

(Expressed in RMB unless otherwise indicated)

1. 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 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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 2023 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 IFRS Accounting Standards.

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.

The number of refuelling stations and storage facilities of the Group as at 30 June 2024 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 facility**
At 30 June 2024	38	2	40	1
At 31 December 2023	42	2	39	1

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("**2020 amendments**")

- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("**2022 amendments**")

- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Further details regarding the Group's principal activities are disclosed in Note 3(b).

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Sales of refined oil and natural gas	**3,790,626**	3,150,615
Revenue from the provision of transportation services	**37,807**	33,387
Revenue from the provision of franchising services	**9,411**	–
Revenue from the trading of compressed natural gas ("**CNG**") and liquefied petroleum gas ("**LPG**")	**1,567**	42
	3,839,411	3,184,044

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

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

(b) Segment reporting

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

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

- 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, impairment (loss)/reversal on trade receivables, other operating expenses and share of profits of an associate, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

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

	Six months ended 30 June 2024			
	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	**3,660,728**	**140,876**	**–**	**3,801,604**
– Over time	**–**	**–**	**37,807**	**37,807**
Revenue from external customers	**3,660,728**	**140,876**	**37,807**	**3,839,411**
Inter-segment revenue	**15,127**	**–**	**26,575**	**41,702**
Reportable segment revenue	**3,675,855**	**140,876**	**64,382**	**3,881,113**
Reportable segment gross profit	**138,908**	**30,951**	**42,169**	**212,028**

	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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,881,113**	3,226,695
Elimination of inter-segment revenue	**(41,702)**	(42,651)
Consolidated revenue *(Note 3(a))*	**3,839,411**	3,184,044
Profit		
Reportable segment gross profit	**212,028**	172,608
Other income	**3,585**	5,928
Staff costs	**(83,108)**	(81,671)
Depreciation expenses	**(32,652)**	(37,422)
Impairment (loss)/reversal on trade receivables	**(973)**	2,147
Other operating expenses	**(43,638)**	(36,150)
Share of profits of an associate	**524**	623
Finance costs	**(13,696)**	(15,486)
Consolidated profit before taxation	**42,070**	10,577

(iii) *Geographic information*

All of the Group's customers patronised at the Group's operations carried out in the People's Republic of China (the "**PRC**"). The Group's non-current assets, including property, plant and equipment and investment properties, are located and the location of operations of the Group's associate is in the PRC.

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Rental income from operating leases	**2,063**	1,841
Net (loss)/gain on disposal of property, plant and equipment	**(245)**	156
Interest income	**700**	751
Others	**1,067**	3,180
	3,585	5,928

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest expenses on:		
– bank and other loans	**4,289**	4,281
– lease liabilities	**9,407**	11,205
	13,696	15,486

(b) Staff costs:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**74,059**	72,674
Contributions to defined contribution retirement plans	**9,049**	8,997
	83,108	81,671

(c) Other items:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation expenses:		
– owned property, plant and equipment	**11,786**	11,811
– right-of-use assets	**20,801**	25,528
– investment properties	**65**	83
	32,652	37,422
Operating lease charges relating to short-term leases and leases of low-value-assets	**2,192**	800
Cost of inventories	**3,620,297**	2,998,612

6. INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current taxation		
Provision for the period	**21,705**	18,123
Deferred taxation		
Origination and reversal of temporary differences	**(7,575)**	(14,693)
	14,130	3,430

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% during the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024 (six months ended 30 June 2023: 25%).

(iv) Pursuant to tax relief policies issued by Ministry of Finance and State Taxation Administration of the PRC in 2023, certain companies of the Group established in the PRC (excluding Hong Kong), which meet the stipulated small scale operations are subject to preferential tax rates of 5% for their taxable profits for the six months ended 30 June 2024 (six months ended 30 June 2023: 5%).

(v) One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% (six months ended 30 June 2023: 15%) applicable for enterprise with advanced and new technologies.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2024 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB26,970,000 (six months ended 30 June 2023: RMB6,433,000) and 374,502,000 ordinary shares in issue during the interim period (six months ended 30 June 2023: 374,502,000).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2024 and 2023.

8. TRADE RECEIVABLES

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Trade receivables, net of loss allowance, due from:		
– related parties	**701**	1,548
– third parties	**47,665**	32,710
	48,366	34,258

All of the trade receivables, net of loss allowance, are expected to be recovered within one year.

(a) Ageing analysis

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Within 1 month	**44,140**	33,643
1 to 3 months	**3,125**	552
3 to 6 months	**1,101**	63
	48,366	34,258

9. TRADE AND BILLS PAYABLES

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Trade payables due to third parties	**33,228**	7,160
Bills payables due to third parties	**–**	20,000
	33,228	27,160

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Within 1 month	**32,740**	6,730
1 to 3 months	**100**	420
Over 3 months	**388**	20,010
	33,228	27,160

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: RMBNil).

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

The directors of the Company do not recommend the payment of a final dividend in respect of the previous financial year during the six months ended 30 June 2024 (six months ended 30 June 2023: RMBNil).

(c) Special dividend payable to equity shareholders of the Company approved during the interim period

	2024 *RMB'000*	2023 *RMB'000*
Special dividend approved during the period, of Hong Kong dollar 0.08 per ordinary share	**27,345**	–

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

I. Industry Review

Since 2024, the geopolitical conflicts have not significantly affected the natural gas market, with global supply and demand for natural gas remaining relatively stable. In the first half of this year, industrial natural gas usage increased, with the rate of increase in demand far exceeding the historical average for the same period. China and India have resumed double-digit growth rates in the first half of 2024. Against the backdrop of strong growth in demand in the Asian market, global natural gas supply has tightened, and uncertainties about Russian pipeline gas supplies to Europe have resurfaced. Compared to the first quarter, natural gas prices in major global markets increased in the second quarter. On the other hand, the domestic natural gas market showed a clear trend of increase in both supply and demand in the first half of the year. Influenced by the commissioning of terminals and the advancement of the Eastern Russia-China Natural Gas Pipeline construction, natural gas supply has diversified.

In the context of the energy transition period, major domestic oil and gas fields have continued to accelerate their efforts to increase reserves and production. Both CNPC and SINOPEC's large oil and gas fields completed their planned natural gas production targets ahead of schedule in the first half of the year. According to data from the National Bureau of Statistics of China, industrial natural gas production above designated size was 123.6 billion cubic meters from January to June, setting a record high for the same period and representing a year-on-year increase of 6.0%. As natural gas import costs have decreased, the volume of natural gas imports has consistently grown. According to the General Administration of Customs of China, domestic natural gas imports in the first half of the year were 64.65 million tons, a year-on-year increase of 14.3%.

On the demand side, due to the steady economic recovery and the increase in supply entities, the difficulty and cost of securing off-contract gas sources for domestic urban gas companies and large industrial users have both reduced. Some previously suppressed demand, due to factors such as peak regulation and negotiation difficulties, has been released, further promoting an increase in natural gas market consumption. In the first quarter of this year, China's apparent natural gas demand was 107.3 billion cubic meters, a year-on-year increase of 12.2%, with the growth rate 10.5 percentage points higher than the same period last year.

In the natural gas vehicle market, according to data from the Shanghai Petroleum and Natural Gas Exchange, transportation gas demand is expected to grow rapidly, with an annual increase of about 4 billion cubic meters. From January to April 2024, sales of LNG heavy trucks in China totaled 72,000 units, a year-on-year increase of 144%, accounting for 32.8% of the market, which is a 20% rise compared to the same period last year. The domestic economy is expected to experience steady growth driven by consumption and manufacturing, and LNG heavy truck sales are expected to enter a new growth cycle alongside the economy.

In the oil market, international oil demand continues to slow down, with global oil demand growth in the second quarter of 2024 only reaching 710,000 barrels per day, the lowest level in more than a year. With the rebound in domestic oil demand ending post-pandemic, domestic oil consumption shrank in April and May 2024. On the other hand, international oil prices showed a trend of high fluctuation and wide range, with overall operation range similar to the same period last year. Despite growing market concerns about slowing oil demand growth, oil prices rose in June. Global inventories rose for the fourth consecutive month from February to May, reaching the highest level since August 2021.

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 2024, the Group recorded sales of refined oil income of approximately RMB3,660.7 million, representing an increase of approximately 21% and accounted for 95% of the total revenue of the same period. During the period, the sales volume of refined oil reached approximately 493 thousand tonnes (six months ended 30 June 2023: approximately 400 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 as a result of (i) the expansion of customer base of refined oil business; (ii) the distribution of consumption vouchers by local government; and (iii) 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 2024, the Group recorded sales of natural gas income of approximately RMB140.9 million, representing an increase of approximately 9% and accounting for approximately 4% of the total revenue of the same period. During the period, the sales volume of CNG reached approximately 26.2 million cubic meters (six months ended 30 June 2023: approximately 27.1 million cubic meters), representing a decrease of approximately 3% as compared with the same period last year. The increase in sales of natural gas business was mainly due to the increase in market demand of natural gas products as a result of expansion of customer base of LNG products during the Period.

The table below shows the location of and product offer at our refuelling stations as at 30 June 2024:

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
Yanji City, Jilin Province	4	–	–	4
Meihekou, Jilin Province	1	1	–	2
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
Baishan City, Jilin Province	–	2	–	2
Total station(s) in Jilin Province	**14**	**33**	**10**	**57**
Wuchang City, Heilongjiang Province	1	–	–	1
Total station(s) in Heilongjiang Province	**1**	**–**	**–**	**1**
Dandong City, Liaoning Province	–	14	1	15
Anshan City, Liaoning Province	–	4	–	4
Dalian City, Liaoning Province	–	1	–	1
Total station(s) in Liaoning Province	**–**	**19**	**1**	**20**
Total:	**15**	**52**	**11**	**78**

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics and Xinxin Logistics. For the first six months of 2024, the Group recorded the transportation income of approximately RMB37.8 million, representing an increase of approximately 13% 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 48 locomotives, 49 trailers and 40 head-mounted integrated vehicles (for petroleum transport), as well as 30 locomotives, 45 trailers and 1 head-mounted integrated vehicle (for gas transport).

Operating Results

Revenue

The principal activities of the Group are (i) the sale of refined oil and natural gas by 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 2024, the Group's revenue amounted to approximately RMB3,839.4 million, representing an increase of approximately RMB655.4 million or approximately 21% from approximately RMB3,184.0 million in the corresponding period in 2023. 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 2024.

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 2024, the Group's cost of sales increased by approximately 20% to approximately RMB3,627.4 million from approximately RMB3,011.4 million in the corresponding period in 2023 due to the increase in the sales volume of the Company's products during the first half of 2024.

The gross profit for the six months ended 30 June 2024 was approximately RMB212.0 million (six months ended 30 June 2023: approximately RMB172.6 million), with a gross profit margin of approximately 6% (the six months ended 30 June 2023: approximately 5%). The improvement in gross profit margin was mainly attributable to the increase in gross profit margin of the Company's products compared with that of the same period in the previous year. The increase in gross profit was mainly attributable to the increase in the sales volume and the gross profit margin of the Company's products compared with that of the previous year.

Impairment (Loss)/Reversal on Trade Receivables

For the six months ended 30 June 2024, impairment loss on trade receivables amounted to approximately RMB1.0 million (six months ended 30 June 2023: reversal of impairment on trade receivables of approximately RMB2.1 million).

Other Income

Other income mainly comprises rental income from operating lease. For the six months ended 30 June 2024, other income amounted to approximately RMB3.6 million, representing a decrease of approximately RMB2.3 million from approximately RMB5.9 million in the corresponding period in 2023. The decrease in other income was mainly attributable to the decrease in subsidies granted by the PRC government to the Group during the first half of 2024.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For the six months ended 30 June 2024, staff costs amounted to approximately RMB83.1 million, representing an increase of approximately RMB1.4 million from approximately RMB81.7 million in the corresponding period in 2023. The increase in staff costs was principally attributable to the increase in average salary payable for staff during the first half of 2024.

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 20%, from approximately RMB36.2 million to approximately RMB43.6 million. The increase was mainly attributable to the increase in legal and professional fees and leasing expenses during the period.

For the six months ended 30 June 2024, the finance costs decreased by 12% from approximately RMB15.5 million for the six months ended 30 June 2023 to approximately RMB13.7 million for the six months ended 30 June 2024.

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 RMB0.5 million for the six months ended 30 June 2024.

Profit before Taxation

As a result of the foregoing factors, the profit before taxation for the six months ended 30 June 2024 increased by approximately RMB31.5 million, to approximately RMB42.1 million (six months ended 30 June 2023: approximately RMB10.6 million).

Income Tax

For the six months ended 30 June 2024, income tax increased by approximately RMB10.7 million, or approximately 315%, to approximately RMB14.1 million from approximately RMB3.4 million in the corresponding period in 2023. Such increase was mainly due to higher profit before taxation recorded during the period.

Profit for the Period

For the six months ended 30 June 2024, the net profit of the Group amounted to approximately RMB27.9 million, representing an increase of approximately RMB20.8 million from approximately RMB7.1 million in the corresponding period in 2023.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the six months ended 30 June 2024. Total assets remained stable and amounted to approximately RMB1,681.3 million (31 December 2023: approximately RMB1,914.6 million), and total equity remained stable and amounted to approximately RMB513.6 million (31 December 2023: approximately RMB512.1 million).

Capital Expenditure

Capital expenditure for the six months ended 30 June 2024 amounted to approximately RMB6.7 million and capital commitments as at 30 June 2024 amounted to approximately RMB33.7 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 2024 and 31 December 2023 are summarised below:

	30 June 2024		31 December 2023	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**311,221**	**86**	351,778	89
Long-term borrowings	**49,729**	**14**	42,000	11
Currency denomination				
– RMB	**360,940**	**100**	393,778	100
Borrowings				
– secured	**360,940**	**100**	393,778	100
Interest rate structure				
– fixed-rate borrowings	**350,940**	**97**	383,778	97
– variable-rate borrowings	**10,000**	**3**	10,000	3
Interest rate				
– fixed-rate borrowings		**2.11%-7.2%**		3.45%-7.5%
– variable-rate borrowings		**3.45%**		3.55%

As at 30 June 2024, the Group's gearing ratio was approximately 69% (31 December 2023: approximately 73%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2024 and 31 December 2023 respectively.

Use of proceeds

The Company has received net proceeds of approximately HK$115.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the initial public offerings ("**IPO**") on 16 October 2017. On 27 November 2018, 31 January 2019 and 30 March 2022, the Board resolved to change the proposed use of proceeds from that originally set out in the prospectus for the IPO. Details of which are set out in the announcements of the Company dated 27 November 2018, 31 January 2019, 30 March 2022 and 27 March 2024 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 2024 *HK$'000*	Remaining balance at at 30 June 2024 *HK$'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	–	40,000	26,493	13,507	By the end of 2025
Expansion of the logistics vehicles teams	–	10,000	6,068	3,932	By the end of 2025
Total	**115,600**	**115,600**	**98,161**	**17,439**	

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

Pledge of Assets

As at 30 June 2024, the aggregate carrying amount of the property, plant and equipment and investment properties of the Group of RMB42.3 million and RMB27 million were pledged for the Group's bank and other loans and bank acceptance bills facilities, and a bank loan of Changchun Yitonghe Petroleum Distribution Company Limited, respectively. For details, please refer to the announcement of the Company dated 9 May 2024 and the circular of the Company dated 31 May 2024. At 30 June 2024, bank loans and bank acceptance bills facilities of the Group amounted to RMB347,100,000, and were utilised to the extent of RMB291,800,000. In addition, the Group's bank loan of RMB30 million and bank acceptance bills facilities of RMB30 million were secured by the personal guarantee by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, chief executive officer, executive director and chairman of the Board, and Ms. Ji Yuanyuan (姬媛媛女士), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2024, the Board is not aware of any material contingent liabilities.

Human Resources

As at 30 June 2024, the Group had 1,468 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 2024, 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 2024.

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

I. Future Prospects

Looking ahead to the second half of the year, the domestic natural gas market is expected to maintain a robust supply and demand dynamic. According to data from the Ministry of Commerce, with rising demand and growing reserves and production, domestic gas production is expected to steadily increase, with domestic natural gas production expected to reach 243.2 billion cubic meters in 2024. Some new LNG import contracts will be carried out, and the import volume of gas through the Eastern Russia-China Natural Gas Pipeline will further increase, with total natural gas imports expected to reach 169.9 billion cubic meters in 2024, and the dependency on foreign natural gas will be controlled at around 41%. On the domestic demand side, according to the forecasts from GasTank, LNG demand will grow following the onset of the winter heating season at the end of the year, in line with the overall increase in natural gas demand. The demand for LNG used in peak shaving for urban gas is expected to see a substantial increase. Industrial and power generation LNG demand will face pressure due to high LNG prices, while the market for LNG used in vehicles and ships will benefit from policy incentives and cost advantages, maintaining a growth trend.

According to the International Energy Agency's Gas Market Report, Q3 2024, released in July, international natural gas demand is expected to slow down in the second half of 2024, but the strong growth in industrial gas consumption will continue to drive overall annual demand increases. Global natural gas demand for 2024 is expected to grow by 2.5%, with industrial gas use expected to account for more than 55% of the increase. "The 2023 Domestic and Foreign Oil and Gas Industry Development Report" released by the CNPC Economics and Technology Research Institute indicates that in the context of building a new energy system, affordability and security concerns arising from the global energy crisis will lead governments and companies to focus more on developing clean energy technologies. Natural gas is becoming an important energy source supporting comprehensive green transformation of the economy and society, progressively replacing high-pollution fuels and supporting the scale development of new energy.

In the oil market, the International Energy Agency's Oil Market Report, released in July 2024, pointed out that considering factors such as subpar economic growth, greater efficiencies and vehicle electrification, global gains are projected to average just below 1 mb/d in 2024 and 2025. "The China Oil, Gas and New Energy Market Development Report" issued by PetroChina Planning & Engineering Institute (CPPEI) believes that due to the accelerated progress of China's dual-control policies on carbon emission and passenger car electrification, China's oil demand is expected to peak around 2028. Over the next five years, domestic refining capacity will gradually approach 1 billion tons per year, with refined oil consumption entering a peak window period. "Reducing petroleum products and increase chemical products" has become a trend in the global petrochemical industry.

In the new energy vehicle market, the domestic new energy vehicle development continues to demonstrate positive momentum. According to data released by the National Development and Reform Commission in June this year, new energy vehicle production and sales in the first five months were 3.926 million and 3.895 million units respectively, with year-on-year increases of 30.7% and 32.5%, accounting for 33.9% of total vehicle sales. Domestic consumer demand for new energy vehicles is expected to continue to rise, significantly driving demand for charging infrastructure construction.

Looking forward to the second half of 2024, the Group will seize the opportunities of national energy transformation and upgrading, and will actively align with the national "Carbon dioxide peaking and carbon neutrality" strategy, further optimize the Group's natural gas and oil distribution and transportation business, leverage the geographical advantages of the three northeastern provinces, and expand the market for new energy vehicle refueling stations and charging infrastructure construction, broaden business directions, contribute to national energy security and sustainable development, and strive to create long-term value for shareholders and society.

OTHER INFORMATION

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix C1 to the Listing Rules during the six months ended 30 June 2024, 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 and extraordinary general meeting of the Company that were held on 19 June 2024 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 C1 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management and internal control system of the Group. Currently, the Audit Committee comprises Mr. Lau Ying Kit (Chairman), Mr. Zhang Zhifeng and Ms. Su Dan, all of whom are independent non-executive Directors.

Review of Interim Financial Information

The interim financial report for the six months ended 30 June 2024 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 2024, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2024.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Sufficiency of Public Float

Since the date of the Group's IPO and up to the date of this announcement, the Company has maintained a sufficient public float.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the Laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.united-strength.com). The interim report for the six months ended 30 June 2024 of the Company will be available to the Company's shareholders and published on the aforesaid websites in due course.

Appreciation

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

By order of the Board
United Strength Power Holdings Limited
Mr. Zhao Jinmin
Chairman and chief executive officer

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Zhao Jinmin, Mr. Liu Yingwu, Mr. Ma Haidong and Mr. Wang Zhiwei, and three independent non-executive Directors, being Ms. Su Dan, Mr. Lau Ying Kit and Mr. Zhang Zhifeng.