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)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 12% to RMB3,481.3 million (2019: approximately RMB3,953.3 million (as restated)).
- Profit attributable to equity shareholders of the Company was RMB123.3 million (2019: approximately RMB135.6 million (as restated)).
- Basic earnings per share amounted to RMB0.35 (2019: RMB0.41 (as restated)).
- The Board proposed a final dividend of HK$20 million for the year ended 31 December 2020. Shareholders will receive a dividend of HK$0.0534 per ordinary share.

## THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), hereby announces the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for 2019 as follows:

**Consolidated statement of profit or loss**
*For the year ended 31 December 2020*
*(Expressed in Renminbi ("RMB"))*

| | *Note* | **2020** **RMB'000** | 2019 RMB'000 *Restated* |
|---|---|---|---|
| **Revenue** | *3* | **3,481,322** | 3,953,293 |
| Cost of sales | | **(3,011,037)** | (3,453,348) |
| **Gross profit** | *3(b)* | **470,285** | 499,945 |
| Other income | *4* | **5,975** | 9,946 |
| Staff costs | *5(b)* | **(136,075)** | (147,827) |
| Depreciation expenses | *5(c)* | **(73,403)** | (69,939) |
| Impairment gain/(loss) on trade receivables | | **1,919** | (880) |
| Other operating expenses | | **(60,799)** | (62,150) |
| **Profit from operations** | | **207,902** | 229,095 |
| Share of profits of a joint venture | | **2,285** | 1,023 |
| Finance costs | *5(a)* | **(26,854)** | (22,517) |
| Costs incurred in connection with the acquisitions of businesses | | **(12,519)** | (16,067) |
| **Profit before taxation** | *5* | **170,814** | 191,534 |
| Income tax | *6* | **(46,451)** | (53,097) |
| **Profit for the year** | | **124,363** | 138,437 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **123,283** | 135,645 |
| Non-controlling interests | | **1,080** | 2,792 |
| **Profit for the year** | | **124,363** | 138,437 |
| **Earnings per share** | | | |
| – Basic and diluted *(RMB)* | *7* | **0.35** | 0.41 |

**Consolidated statement of profit or loss and other comprehensive income**
*For the year ended 31 December 2020*
*(Expressed in RMB)*

| | 2020<br>*RMB'000* | 2019<br>*RMB'000*<br>*Restated* |
|---|---|---|
| **Profit for the year** | **124,363** | 138,437 |
| **Other comprehensive income for the year (after tax):** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| – Exchange differences on translation into presentation currency of the Group | **(6,997)** | 934 |
| **Total comprehensive income for the year** | **117,366** | 139,371 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **116,209** | 136,579 |
| Non-controlling interests | **1,157** | 2,792 |
| **Total comprehensive income for the year** | **117,366** | 139,371 |

**Consolidated statement of financial position**
*At 31 December 2020*
*(Expressed in RMB)*

| | *Note* | **31 December 2020** **RMB'000** | 31 December 2019 *RMB'000* *Restated* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **637,847** | 522,239 |
| Investment properties | | **2,199** | 2,366 |
| Interest in a joint venture | | **75,028** | 77,556 |
| Deferred tax assets | | **7,793** | 5,292 |
| | | **722,867** | 607,453 |
| **Current assets** | | | |
| Inventories | | **111,976** | 103,679 |
| Trade and bills receivables | *8* | **39,248** | 42,893 |
| Prepayments, deposits and other receivables | *9* | **256,959** | 215,799 |
| Income tax recoverable | | **3,468** | 524 |
| Cash at bank and on hand | | **138,617** | 85,689 |
| | | **550,268** | 448,584 |
| **Current liabilities** | | | |
| Bank and other loans | | **192,978** | 101,400 |
| Trade and bills payables | *10* | **90,139** | 75,822 |
| Accrued expenses and other payables | *11* | **258,484** | 429,710 |
| Lease liabilities | *12* | **50,711** | 36,889 |
| Income tax payable | | **28,763** | 11,848 |
| | | **621,075** | 655,669 |
| **Net current liabilities** | | **(70,807)** | (207,085) |
| **Total assets less current liabilities** | | **652,060** | 400,368 |

**Consolidated statement of financial position** *(continued)*
*At 31 December 2020*
*(Expressed in RMB)*

| | *Note* | **31 December 2020** **RMB'000** | 31 December 2019 *RMB'000* *Restated* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank and other loans | | **49,078** | 62,925 |
| Lease liabilities | *12* | **311,521** | 59,060 |
| Deferred tax liabilities | | **6,352** | 6,457 |
| | | **366,951** | 128,442 |
| **NET ASSETS** | | **285,109** | 271,926 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **32,293** | 19,794 |
| Reserves | | **221,312** | 221,511 |
| **Total equity attributable to equity shareholders of the Company** | | **253,605** | 241,305 |
| **Non-controlling interests** | | **31,504** | 30,621 |
| **TOTAL EQUITY** | | **285,109** | 271,926 |

## Notes

*(Expressed in RMB unless otherwise indicated)*

### 1. CORPORATE INFORMATION

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

On 24 August 2020 (the "Completion Date"), the Company acquired the petroleum refuelling business, comprising the operation of petroleum stations and storage facilities and the provision of transportation of petroleum services (collectively referred to as the "Petroleum Refuelling Business"), through the acquisition of the entire issued share capital of Eternal Global Investment Limited ("Eternal Global") (the "Acquisition"). On Completion Date and as part of the Acquisition, entrusted agreements (the "Entrusted Management Agreement") were also entered into between Changchun United Strength Power Company Limited ("New United Strength"), a wholly owned subsidiary of Eternal Global, and Changchun Yitonghe Petroleum Distribution Company Limited ("Changchun Yitonghe"), a company controlled by Mr Zhao Jinmin and not part of the Acquisition, pursuant to which Changchun Yitonghe as the entrusting party entrusted New United Strength as the operating party with an exclusive right to use all the assets, property, land and equipment necessary for the operation and management of the petroleum refuelling stations and petroleum storage facilities owned by Changchun Yitonghe (the "Entrusted Petroleum Refuelling Stations and Storage Facilities"). The entrustment fee under the Entrusted Management Agreement is RMB50,000,000 per annum for a period of ten years. The Entrusted Management Agreement and related entrustment fees will be accounted for as lease in accordance to the accounting policies of the Group.

Immediately before and after the Acquisition, the Group and the Petroleum Refuelling Business are under the control of Mr Zhao Jinmin, who will continue to be the controlling shareholder of the Group and the Petroleum Refuelling Business following the completion of the Acquisition. The control is not transitory and, consequently, there is a continuation of the risks and benefits to Mr Zhao Jinmin. Accordingly, the Acquisition is treated as a combination of businesses under common control. These financial statements have been prepared using the merger basis of accounting as if the Acquisition was completed and the Petroleum Refuelling Business had been combined at the beginning of the comparative period.

Except for the assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities, the assets and liabilities of the Petroleum Refuelling Business in these financial statements were recognised and measured at their carrying amounts recognised previously from the perspective of Mr Zhao Jinmin. Prior to the Completion Date, assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities in these financial statements were recognised and measured at their carrying amounts recognised previously from the perspective of the Mr Zhao Jinmin. On the Completion Date, assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities were derecognised, as the Group did not acquire the legal titles of these assets and liabilities as part of the Acquisition. Instead, right-of-use assets and lease liabilities were recognised to reflect the execution of the Entrusted Management Agreement on the Completion Date.

As at 31 December 2020, the Group had net current liabilities of RMB70,807,000. These consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities as at 31 December 2020, because the directors of the Company are of the opinion that based on a cash flow forecast of the Group for the next twelve months ending 31 December 2021 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

### (c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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 except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

## 3. REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

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

*Disaggregation of revenue*

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | *Restated* |
| Disaggregated by major products or service lines: | | |
| – Sales of refined oil and natural gas | **3,429,882** | 3,888,622 |
| – Revenue from the provision of transportation services | **44,063** | 53,534 |
| – Revenue from the trading of liquefied petroleum gas ("**LPG**"), liquefied natural gas ("**LNG**") and related chemical products | **7,377** | 11,137 |
| | **3,481,322** | 3,953,293 |

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue in 2020 (2019: Nil (as restated)).

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

**(b) Segment reporting**

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

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

– Sale of natural gas: this segment sells compressed natural gas ("**CNG**"), LPG and LNG to vehicular end-users by operating refuelling stations, and trading of LPG, LNG and related chemical products; and

– Provision of transportation services: this segment provides petroleum and natural gas transportation services by managing dangerous goods transportation vehicles.

*(i) Segment results*

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

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

The measure used for reporting segment is gross profit. The Group's other income, staff costs, depreciation expenses, impairment gain/(loss) on trade receivables, other operating expenses, share of profits of a joint venture and costs incurred in connection with the acquisitions of businesses, 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.

| | **2020** | | | |
|---|---|---|---|---|
| | **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 | **3,227,209** | **210,050** | **–** | **3,437,259** |
| – Over time | **–** | **–** | **44,063** | **44,063** |
| Revenue from external customers | **3,227,209** | **210,050** | **44,063** | **3,481,322** |
| Inter-segment revenue | **17,120** | **978** | **43,835** | **61,933** |
| Reportable segment revenue | **3,244,329** | **211,028** | **87,898** | **3,543,255** |
| Reportable segment gross profit | **336,388** | **76,306** | **57,591** | **470,285** |

| | 2019 (restated) | | | |
|---|---|---|---|---|
| | 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 | 3,571,537 | 328,222 | – | 3,899,759 |
| – Over time | – | – | 53,534 | 53,534 |
| Revenue from external customers | 3,571,537 | 328,222 | 53,534 | 3,953,293 |
| Inter-segment revenue | 17,593 | 2,636 | 60,351 | 80,580 |
| Reportable segment revenue | 3,589,130 | 330,858 | 113,885 | 4,033,873 |
| Reportable segment gross profit | 309,295 | 114,373 | 76,277 | 499,945 |

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | *Restated* |
| **Revenue** | | |
| Reportable segment revenue | **3,543,255** | 4,033,873 |
| Elimination of inter-segment revenue | **(61,933)** | (80,580) |
| Consolidated revenue *(Note 3(a))* | **3,481,322** | 3,953,293 |
| **Profit** | | |
| Reportable segment gross profit | **470,285** | 499,945 |
| Other income | **5,975** | 9,946 |
| Staff costs | **(136,075)** | (147,827) |
| Depreciation expenses | **(73,403)** | (69,939) |
| Impairment gain/(loss) on trade receivables | **1,919** | (880) |
| Other operating expenses | **(60,799)** | (62,150) |
| Share of profits of a joint venture | **2,285** | 1,023 |
| Finance costs | **(26,854)** | (22,517) |
| Costs incurred in connection with the acquisitions of businesses | **(12,519)** | (16,067) |
| Consolidated profit before taxation | **170,814** | 191,534 |

*(iii) Geographic information*

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

## 4. OTHER INCOME

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | *Restated* |
| Rental income from operating leases | **2,992** | 3,292 |
| Interest income | **439** | 994 |
| Net gain on disposal of a subsidiary | **–** | 944 |
| Net (loss)/gain on disposal of property, plant and equipment | **(102)** | 2,581 |
| Net foreign exchange losses | **(217)** | (330) |
| Others | **2,863** | 2,465 |
| | **5,975** | 9,946 |

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | *Restated* |
| Interest expenses on: | | |
| – bank and other loans | **14,202** | 14,753 |
| – lease liabilities | **12,652** | 7,764 |
| | **26,854** | 22,517 |

No borrowing costs have been capitalised during the year ended 31 December 2020 (2019: RMBNil (as restated)).

### (b) Staff costs:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | *Restated* |
| Salaries, wages and other benefits | **130,729** | 133,178 |
| Contributions to defined contribution retirement plans | **5,346** | 14,649 |
| | **136,075** | 147,827 |

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates from 16% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligations for payment of other retirement benefits beyond the above contributions.

In 2020, in an effort to provide financial support to enterprises during the Covid-19 pandemic, the PRC government authorities have granted partial exemption on the Group's contributions to the defined contribution retirement plans. The total exempted amount was RMB8,065,000 in 2020.

(c) **Other items:**

| | **2020** *RMB'000* | 2019 *RMB'000* *Restated* |
|---|---|---|
| Depreciation expenses: | | |
| – owned property, plant and equipment | **36,549** | 37,714 |
| – right-of-use assets | **36,687** | 32,092 |
| – investment properties | **167** | 133 |
| Operating lease charges relating to short-term leases and leases of low-value-assets | **252** | 326 |
| Auditors' remuneration – audit services | **6,200** | 3,000 |
| Cost of inventories | **2,993,538** | 3,430,932 |

## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | **2020** *RMB'000* | 2019 *RMB'000* *Restated* |
|---|---|---|
| **Current taxation** | | |
| Provision for the year | **49,061** | 55,068 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | **(2,610)** | (321) |
| Effect resulting from a change in applicable withholding tax rate | **–** | (1,650) |
| | **(2,610)** | (1,971) |
| | **46,451** | 53,097 |

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2020 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB123,283,000 and the weighted average of 348,710,000 ordinary shares, comprising:

(i) 234,502,000 ordinary shares in issue as at 1 January 2020 and throughout the year ended 31 December 2020;

(ii) 100,000,000 shares issued on the completion of the Acquisition, as if the above 100,000,000 shares were outstanding throughout the year ended 31 December 2020; and

(iii) 40,000,000 shares placed at the issue price of HK$5.00 per share ("**Placing Shares**").

The calculation of basic earnings per share for the year ended 31 December 2019 was calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB135,645,000 and the weighted average of 334,502,000 ordinary shares, comprising:

(i) 234,502,000 ordinary shares in issue as at 1 January 2019 and throughout the year ended 31 December 2019; and

(ii) 100,000,000 shares issued on the completion of the Acquisition, as if the above 100,000,000 shares were outstanding throughout the year ended 31 December 2019.

The calculation of the weighted average number of ordinary shares for the year ended 31 December 2020 is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***'000*** | *'000* |
| | | *Restated* |
| Issued ordinary shares at 1 January | **234,502** | 234,502 |
| Effect of issuance of shares upon the completion of the Acquisition | **100,000** | 100,000 |
| Effect of issuance of the Placing Shares | **14,208** | – |
| | **348,710** | 334,502 |

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2020 and 2019.

## 8. TRADE AND BILLS RECEIVABLES

| | At 31 December 2020 *RMB'000* | At 31 December 2019 *RMB'000* *Restated* |
|---|---|---|
| Trade receivables, net of loss allowance, due from: | | |
| – related parties | **270** | 952 |
| – third parties | **26,408** | 41,941 |
| | **26,678** | 42,893 |
| Bills receivables | **12,570** | – |
| | **39,248** | 42,893 |

All of the trade and bills 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 and bills receivables, based on the invoice date and net of loss allowance, is as follows:

| | At 31 December 2020 *RMB'000* | At 31 December 2019 *RMB'000* *Restated* |
|---|---|---|
| Within 1 month | **14,209** | 25,911 |
| 1 to 3 months | **10,190** | 7,485 |
| 3 to 6 months | **4,299** | 9,497 |
| Over 6 months | **10,550** | – |
| | **39,248** | 42,893 |

## 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 31 December 2020 *RMB'000* | At 31 December 2019 *RMB'000* *Restated* |
|---|---|---|
| Prepayments for purchase of inventories and services from: | | |
| – related parties | **15,593** | 1,208 |
| – third parties | **211,807** | 90,469 |
| | **227,400** | 91,677 |
| Deposits to suppliers | **5,638** | 113,824 |
| Advances to staff | **1,361** | 1,656 |
| VAT recoverable | **18,169** | 7,091 |
| Others | **4,391** | 1,551 |
| | **256,959** | 215,799 |

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

## 10. TRADE AND BILLS PAYABLES

| | At 31 December 2020 *RMB'000* | At 31 December 2019 *RMB'000* *Restated* |
|---|---|---|
| Trade payables due to: | | |
| – related parties | **10,088** | 39,894 |
| – third parties | **20,051** | 33,928 |
| | **30,139** | 73,822 |
| Bills payables due to: | | |
| – related parties | **30,000** | 2,000 |
| – third parties | **30,000** | – |
| | **90,139** | 75,822 |

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

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 31 December 2020 *RMB'000* | At 31 December 2019 *RMB'000* *Restated* |
|---|---|---|
| Within 1 month | **30,139** | 74,410 |
| 1 to 3 months | **30,000** | 1,412 |
| Over 3 months | **30,000** | – |
| | **90,139** | 75,822 |

## 11 ACCRUED EXPENSES AND OTHER PAYABLES

| | At 31 December 2020 *RMB'000* | At 31 December 2019 *RMB'000* *Restated* |
|---|---|---|
| Payables for staff related costs | **6,971** | 4,225 |
| Deposits from customers | **1,445** | 1,341 |
| Payables for acquisitions of property, plant and equipment | **897** | 7,489 |
| Other taxes payables | **3,191** | 1,166 |
| Amounts due to related parties | **51,984** | – |
| Others | **11,005** | 8,931 |
| Financial liabilities measured at amortised cost | **75,493** | 23,152 |
| Receipts in advance due to: | | |
| – related parties | **–** | 15,726 |
| – third parties | **182,991** | 172,331 |
| Amounts due to related parties | **–** | 218,501 |
| | **182,991** | 406,558 |
| | **258,484** | 429,710 |

## 12 LEASE LIABILITIES

As a result of entering into the Entrusted Management Agreement with Changchun Yitonghe as the entrusting party entrusted the New United Strength as the operating party with an exclusive right to use all the assets, property, land and equipment necessary for the operation and management the Entrusted Petroleum Refuelling Stations and Storage Facilities, right-of-use assets and lease liabilities were recognised on the Completion Date.

## 13. DIVIDENDS

### (i) Dividends payable to equity shareholders of the Company attributable to the year

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend proposed after the end of the reporting period of HK$0.0534 per ordinary share (2019: HK$0.0853 per ordinary share) | **16,832** | 17,855 |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0853 per ordinary share (2019: HK$0.0852 per ordinary share) | **17,855** | 17,465 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY REVIEW

Public health incidents have spread globally since the beginning of 2020, resulting in heavy losses for economy worldwide. Countries around the world have implemented measures such as home quarantine and reduction of economic activities to stop the spread of the virus, while the trend of telecommuting and the slump of the aviation industry have led to a sharp drop in global energy demand, among which the oil and gas market has taken a hard hit. The International Energy Agency (IEA) stated that due to sluggish demand growth and increased oil production, the oil market was expected to face oversupply in 2020. According to the "Gas 2020" report by the IEA, the global natural gas consumption volume fell by 4% in 2020 year-on-year. The global economy picked up in the second half as countries loosened epidemic control measures while oil production declined, leading to the rebound of international oil and natural gas prices. However, due to recurrent outbreaks of Covid-19 and related uncertainties, the overall market has not yet shaken off its weakness.

In the first half of 2020, the lockdown measures taken in response to the outbreaks had a periodic impact on China's economic activities and energy industry development. In the second half, the epidemic was contained domestically and economic production activities gradually returned to normal. The recovery of industrial production and the aviation industry, in particular, has prompted a rebound in domestic oil and natural gas demand.

2020 marks the end of the "13th Five-Year Plan" and the devising of the "14th Five-Year Plan", opening a five-year period that is crucial to the energy industry. It is not only a period of energy transition, but also one of full integration of energy and modern information technology. Although the oil and gas industry is now facing multiple challenges such as the pandemic and low price levels, the country's "New Infrastructure" Plan and its "14th Five-Year Plan" have brought new opportunities for the transformation and upgrading of the oil and gas industry.

In terms of the oil market, the IEA stated that China is the world's largest oil importer and the only major importer that is expected to see an increase in oil demand in 2020. Although the growth rate of crude oil production in China turned positive in 2019, reversing the previous declining trend, oil supply still fell short of demand domestically. During the reporting period, oil was still an important driving force and component of the domestic economy and society. The domestic refined oil price experienced eight upgrades during the price adjustment windows and the white book named "Sustainable Development of Transport in China" issued by the State Council also stressed the continuous acceleration of the construction of pipelines for crude oil, refined oil and natural gas.

In terms of the natural gas market, during the reporting period, the middle section (Changling-Yongqing Section) of the China-Russia East-Route Natural Gas Pipeline, a major international project on strategic natural gas cooperation and the largest energy cooperation project between China and Russia by far, was officially put into operation in December 2020. According to China Pipe Group, it has been a year since the China-Russia East Route commenced operation, and nearly 4 billion cubic meters of natural gas has since been safely and smoothly transported from Russia. The construction and operation of the China-Russia East Route is of great significance for optimizing China's energy structure and promoting economic growth in the areas along the route. In addition, according to the data released by the National Bureau of Statistics, the temperature in the north started to drop from October and the demand for heating has increased seasonally, which has driven up gas production and supply price, and because the temperature has been lower than that of the same period in previous years, heating demand has increased rapidly, accelerating the rise in gas production and supply price and speeding up the recovery of the industry.

Turning to the domestic automobile industry, although it has demonstrated an ever-declining trend in sales since 2018 while Covid-19 brought new challenges to the market during the reporting period, thanks to policy support and the rally of consumer demand, data from the China Association of Automobile Manufacturers (CAAM) showed that China's automobile sales volume was 25.311 million in 2020, continuously ranking first in the world with much quicker industry recovery than expected, among which traditional fossil fuel vehicles still stood as the mainstream, whereas new energy vehicles received strong support from the State. In the first half of 2020, the Ministry of Finance, the State Taxation Administration and the Ministry of Industry and Information Technology jointly issued the "Notice on Improving the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles", extending the applicable period of the new energy vehicle subsidy policy to the end of 2022; in July, the Ministry of Industry and Information Technology, the Ministry of Agriculture and Rural Affairs and the Ministry of Commerce jointly issued the "Notice on Launching New Energy Vehicles Going to the Countryside Activities"; in November, the State Council issued the "New Energy Vehicle Industry Development Plan (2021-2035)". Encouraged by such policy incentives, the sales of NEV in China increased by 10.9% year-on-year in 2020 according to CAAM.

As the country continues to encourage environmental protection, sustainable development, energy structure optimization and the construction of pipelines and receiving facilities for crude oil, refined oil and natural gas, along with the rapid recovery of the automobile market, the oil and natural gas sales market still has a huge room to grow in the future.

## 2. BUSINESS AND FINANCIAL REVIEW

Our Group is a leading operator of petroleum refuelling stations and CNG refuelling stations for vehicles in Northeastern of China. We run 91 refuelling stations in Northeastern China as at 31 December 2020. Apart from the gas refuelling business and petroleum refuelling business, we have also diversified into the transportation of liquefied petroleum gas and petroleum by relying on the powerful transportation capability of a wholly owned subsidiary of the Group, Jilin Province Jieli Logistics Company Limited ("**Jieli Logistics**") and wholesale of refined oil products business.

During the reporting period, the Company completed the acquisition of the entire issued share capital of Eternal Global Investments Limited ("**Eternal Global**"). The acquisition is considered to be the first step for the Group to tap into the potential new business, and is expected to further enhance the Company's presence in the energy market in Northeastern China as well as to facilitate the Company to lay a solid foundation for its expansion roadmap in other parts of the PRC. It also allows the Group to make full use of the existing refuelling station network of Changchun Yitonghe for expansion of the Group's refuelling business. The acquisition will create synergies between Eternal Global's petroleum refuelling business and the Group's existing gas refuelling business, thereby enhancing the competitive strength of the Company in the energy industry. In particular, the acquisition enables the Group to: (a) expand the network, market share and scale of the enlarged Group's petroleum refuelling business and gas refuelling business in the Northeastern China; (b) provide a richer product portfolio and a broader sales network; (c) leverage opportunities to acquire business licenses and permits and operation rights; (d) enhance the Group's bargaining power when negotiating with existing and new suppliers; and (e) through cost-saving measures (including shared services and back office integration), improve the Company's cost of information and technology and efficiency of corporate operation. For details, please refer to the announcements of the Company dated 18 September 2019, 25 September 2019, 28 February 2020, 26 June 2020, 24 July 2020 and 24 August 2020 and the Company's circular dated 30 June 2020 respectively.

The table below shows the location of and product offering at our refuelling stations as at 31 December 2020:

| City, Province | Gas refuelling stations | Petroleum refuelling stations | Mixed (gas and petroleum) refuelling stations | Total number of stations |
|---|---|---|---|---|
| Changchun City, Jilin Province | 8 | 24 | 6 | 38 |
| Jilin City, Jilin Province | 2 | 8 | 0 | 10 |
| Liaoyuan City, Jilin Province | 1 | 1 | 1 | 3 |
| Helong City, Jilin Province | 1 | 0 | 0 | 1 |
| Yanji City, Jilin Province | 2 | 0 | 1 | 3 |
| Wangqing, Jilin Province | 1 | 0 | 0 | 1 |
| Meihekou, Jilin Province | 1 | 0 | 0 | 1 |
| Antu, Jilin Province | 1 | 0 | 0 | 1 |
| Baicheng, Jilin Province | 1 | 1 | 0 | 2 |
| Songyuan, Jilin Province | 1 | 1 | 0 | 2 |
| Siping City, Jilin Province | 1 | 0 | 0 | 1 |
| Baishan City, Jilin Province | 0 | 3 | 0 | 3 |
| **Total station(s) in Jilin Province** | **20** | **38** | **8** | **66** |
| Wuchang City, Heilongjiang Province | 1 | 1 | 0 | 2 |
| **Total station(s) in Heilongjiang Province** | **1** | **1** | **0** | **2** |
| Dandong City, Liaoning Province | 0 | 13 | 1 | 14 |
| Benxi City, Liaoning Province | 0 | 1 | 0 | 1 |
| Anshan City, Liaoning Province | 0 | 4 | 0 | 4 |
| Haicheng City, Liaoning Province | 0 | 1 | 0 | 1 |
| Donggang City, Liaoning Province | 0 | 2 | 0 | 2 |
| Wafangdian City, Liaoning Province | 0 | 1 | 0 | 1 |
| **Total station(s) in Liaoning Province** | **0** | **22** | **1** | **23** |
| **Total:** | **21** | **61** | **9** | **91** |

## Sales of refined oil business

The sales of refined oil mainly consisted of selling refined oil to vehicular end-users by operation of petroleum refuelling stations and to other petroleum refuelling stations, construction sites and other industrial users by operating petroleum storage facilities For 2020, the Group recorded the sales of refined oil income of RMB3,227.2 million, representing a decrease of approximately 10% and accounted for 93% of the total revenue of the same year. During the year, the sales volume of refined oil reached approximately 656 thousand tonnes (2019: approximately 581 thousand tonnes), representing an increase of approximately 13% as compared with last year. The increase in sales volume was mainly due to the general public using private cars more frequently for commuting in light of the decrease in services of public transports in the Northeast China, leading to relatively stable demand for refined oil products. The Group also adopted a more aggressive pricing strategy and adjusted the selling price in a timely manner to stimulate the sales of refined oil.

## Sales of natural gas business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For 2020, the Group recorded the sales of natural gas income of RMB210.1 million, representing a year-on-year decline of 36% and accounted for 6% of the total revenue of the same year. During the year, the sales volume of CNG reached 51.8 million cubic meters (2019: 74.8 million cubic meters), representing a decrease of 31% as compared with last year. The decrease in sales volume was mainly due to the interruption of economic activities in China brought by Covid-19 in light of the decrease in operation of public transports as major CNG vehicle users mainly include taxi drivers, and corporate customers such as bus operators, logistics companies and driving schools.

## Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For 2020, the Group recorded the transportation income of RMB44.1 million (2019: RMB53.5 million), representing a year-on-year decline of 18% and accounted for 1% of the total revenue of the same year.

At present, Jieli Logistics and its subsidiary own and manage a fleet of over 100 dangerous goods transport vehicles, including 58 locomotives, 39 trailers and 39 head-mounted integrated vehicles (for petroleum transport), as well as 35 locomotives and 75 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 2020, the Group's revenue amounted to RMB3,481.3 million, representing a decrease of RMB472.0 million or 12% from RMB3,953.3 million in 2019. The decrease in revenue was mainly attributable to the decrease in sales of refined oil business with the Company's adoption of a more aggressive pricing strategy and adjusted the selling price in a more timely manner to stimulate the sales of refined oil.

## 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. In 2020, the Group's cost of sales decreased by 13% to RMB3,011.0 million from RMB3,453.3 million in 2019 due to the combination of (i) the decrease in the unit cost of procurement; and (ii) the decrease in total purchase of CNG as a result of the decrease in sales volume of Company's products during 2020.

The gross profit for 2020 was RMB470.3 million (2019: RMB499.9 million), with a gross profit margin of 14% (2019: 13%). The gross profit was relatively stable compared with that of the previous year.

## Other Income

Other income mainly comprises rental income, loss on disposal of property plant and equipment and foreign exchange losses. For 2020, other income amounted to RMB6.0 million, representing a decrease of RMB3.9 million from RMB9.9 million in 2019. The decrease in other income was mainly attributable to the decrease in gain on disposal of a subsidiary and the increase in loss on disposal of property, plant and equipment during 2020.

## Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2020, staff costs amounted to RMB136.1 million, representing a decrease of RMB11.7 million from RMB147.8 million in 2019. The decrease in staff costs was principally attributable to the partial exemption on the Group's contributions to defined contribution retirement plans due to financial support to enterprises granted by the PRC government during the Covid-19 pandemic.

## Other Operating Expenses and Finance Costs

Other operating expenses, including utilities expenses, repair and maintenance expenses related to refuelling stations, professional fees and other general office expenses decreased from RMB62.2 million to RMB60.8 million. Those expenses were relatively stable compared with that of the previous year.

For 2020, the finance costs amounted to approximately RMB26.9 million (2019: approximately RMB22.5 million). The increase in finance costs was mainly attributable to the increase in interest expenses on lease liabilities as a result of entering into the Entrusted Management Agreement.

### Costs Incurred in Connection with the Acquisitions of Businesses

Costs incurred in connection with the acquisitions of businesses of approximately RMB12.5 million (2019: approximately RMB16.1 million) represent the professional fees and other expenses incurred in relation to the acquisition of the entire issued share capital of Eternal Global.

### Share of Profits of a Joint Venture

With the completion of acquisition of Silver Spring Green Energy Limited ("Silver Spring"), the Group shared a profits from the joint venture with China Travel Service International Financial Leasing Company Limited ("CTS Financial Leasing"), which is held as to 30% indirectly by our Group upon completion of the acquisition. The share of profits of CTS Financial Leasing amounted to approximately RMB2.3 million for 2020.

### Profit before Tax

As a result of the foregoing factors, the profit before tax for 2020 decreased by RMB20.7 million, constituting a profit before tax of RMB170.8 million (2019: RMB191.5 million).

### Income Tax Expenses

In 2020, income tax expenses decreased by RMB6.6 million, or 12%, to RMB46.5 million from RMB53.1 million in 2019. Such decrease was mainly due to lower profit before taxation recorded during 2020.

### Profit for the Year

For 2020, the net profit of the Group amounted to RMB124.4 million, representing a decrease of RMB14.0 million from RMB138.4 million in 2019.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2020. Total assets increased by 21% to RMB1,273.1 million (31 December 2019: RMB1,056.0 million) while total equity increased by 5% to RMB285.1 million (31 December 2019: RMB271.9 million).

### Bank Balances and Cash

As at 31 December 2020, the Group's bank balances and cash amounted to RMB138.6 million (31 December 2019: RMB85.7 million).

**Capital Expenditure**

Capital expenditure to owned property, plant and equipment for the year ended 31 December 2020 amounted to RMB43.6 million and our Group's capital commitments as at 31 December 2020 amounted to RMB26.2 million. Both the capital expenditure and capital commitments mainly related to the purchases of plant and equipment and the acquisition of Eternal Global. The Group anticipates that funding for those commitments will come from the proceeds from initial public offering of the Company ("**IPO**"), future operating revenue, bank borrowings and other sources of finance when appropriate.

**Borrowings**

The Group's borrowings as at 31 December 2020 and 2019 are summarised below:

| | **As at 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Short-term borrowings | **192,978** | **80** | 101,400 | 62 |
| Long-term borrowings | **49,078** | **20** | 62,925 | 38 |
| Currency denomination | | | | |
| – RMB | **200,464** | **83** | 120,400 | 73 |
| – HKD | **41,592** | **17** | 43,925 | 27 |
| Borrowings | | | | |
| – secured | **242,056** | **100** | 134,325 | 100 |
| Interest rate structure | | | | |
| – fixed-rate borrowings | **242,056** | **100** | 164,325 | 100 |
| Interest rate | | | | |
| – fixed-rate borrowings | 4.30%<br>-10.00% | | 4.25%<br>-10.00% | |

As at 31 December 2020, the Group's gearing ratio was 77% (31 December 2019: 74%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2020 and 2019 respectively. The increase in gearing ratio was mainly attributable to the acquisition of Eternal Global during 2020.

**Use of proceeds**

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

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

| | **Original allocation** *HK$'000* | **Revised allocation** *HK$'000* | **Utilization as at 31 December 2020** *HK$'000* | **Remaining balance as at 31 December 2020** *HK$'000* | **Expected timeline for full utilization of the remaining proceeds** |
|---|---|---|---|---|---|
| Finance the expansion of the CNG refuelling station network | 104,000 | 19,500 | 19,500 | – | – |
| Strengthen the marketing and promotion strategies | 5,800 | 5,800 | 3,451 | 2,349 | By the end of 2021 |
| General working capital | 5,800 | 5,800 | 5,800 | – | – |
| Establishment of an industry merger and acquisition fund | – | 50,000 | – | 50,000 | By the end of 2021 |
| Acquisition of Silver Spring and assignment of the shareholder's loan | – | 34,500 | 34,500 | – | – |
| Total | 115,600 | 115,600 | 63,251 | 52,349 | |

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 31 December 2020, the aggregate carrying amount of the property, plant and equipment of the Group of RMB11,779,000 were pledged for the Group's bank and other loans and bank acceptance bills facilities. As at 31 December 2020, bank loans and bank acceptance bills facilities of the Group amounted RMB127,000,000. In addition, the Group's bank loan of HK$50 million was secured by the equity interest of Silver Spring and personally guaranteed 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 31 December 2020, the Board is not aware of any material contingent liabilities (2019: Nil).

**Human Resources**

As at 31 December 2020, the Group had 1,576 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 31 December 2020, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

**Material Acquisition and Disposal of Subsidiaries and Affiliated Companies**

The Company entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Eternal Global at the consideration of HK$650 million and the consideration at fair value with reference to the closing market price at the completion date is HK$680 million (the "**Acquisition**"). The consideration comprise of (1) the allotment and issue of 100,000,000 ordinary shares in the Company at HK$5.30 per ordinary share (representing the closing market share price of the Company on 24 August 2020 (i.e. the day of completion)), and (2) cash consideration of HK$150,000,000. For details, please refer to the announcements of the Company dated 18 September 2019, 25 September 2019, 28 February 2020, 26 June 2020 and 24 July 2020 and the Company's circular dated 30 June 2020 respectively. The Company has completed the Acquisition on 24 August 2020. For details, please refer to the announcement of the Company dated 24 August 2020.

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

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2020.

**Foreign Exchange Risk Management**

The Group's sales and purchases during the reporting 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.

**Principal Risks and Uncertainties**

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

**Inability to Control Costs**

Refined oil and natural gas is the most important raw materials for our refuelling stations business and constitutes a majority of our cost of sales. Our cost of sales and gross profit margin are directly affected by the fluctuations of the purchase price of refined oil and natural gas.

The purchase price of refined oil and natural gas depends on a range of factors, including among others, the market demand and supply of refined oil and natural gas, the Urban Gate Station Price set by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), development of shale mining and alternative energy and the price trend of international crude oil. If we are unable to pass on the impact of the increase in purchase prices of refined oil and natural gas to our customers by adjusting our retail selling price in a timely manner due to price competition with other refuelling station operators which manage to procure refined oil and natural gas at lower costs, or if we misjudge the extent of adjustment of retail price at our refuelling stations, the Group's profit will be materially and adversely affected.

**Supply Risk**

A majority of the vehicle natural gas supply for natural gas refuelling stations operators relies on midstream natural gas processors which generally rely on the upstream supply. Vehicle natural gas refuelling station operators with limited bargaining power have to bargain for the gas price and supply with more sizeable gas suppliers in order to maintain their daily operation. Our suppliers may also occasionally encounter shortage of gas supply and may not be able to provide sufficient gas to us pursuant to the gas supply framework agreements, especially in time of significant fluctuation of fuel price in the market.

The supply of petroleum in the PRC is often in the hands of large state-owned enterprises and foreign petroleum suppliers. To ensure a stable and sufficient supply of fuels, refuelling station operators have to establish procurement channels and maintain good business relationship with midstream oil refineries or wholesale distributors. The Group cannot guarantee that its suppliers will continue to provide sufficient refined oil products to the Group especially in time of unpredicted increase in demands for refined oil products.

**Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

## 3. BUSINESS PROSPECTS

2021 opens China's "14th Five-Year Plan" period, which will also be a critical period for the country's economy to transform from rapid growth to high-quality development and for the further deepening of the energy industry reform. President Xi Jinping, during his speech at the 75th United Nations General Assembly in September 2020, mentioned that China would aim to have $CO_2$ emissions peak before 2030 and achieve carbon neutrality before 2060. Emissions peaking and neutrality were also included among the eight key tasks of 2021 at the Central Economic Work Conference, providing policy drivers for the long-term development of low-carbon energy in China.

During the "14th Five-Year Plan" period, the transition towards low-carbon energy remain an important task while low-carbon initiatives in key areas such as industry activities and the transportation sector will continue to gain traction, and domestic natural gas demand is expected to continue the rising trend. Data from S&P Global Platts Analytics and Sinopec showed that China's natural gas demand was expected to break to all-time highs in 2021. SIA Energy estimated that China's natural gas demand would increase by 6% in 2021 year-on-year. The IEA predicted that the global LNG trade volume would grow by 21% from 2019 to 2025, and China will overtake Japan as the world's biggest LNG buyer by 2023.

On the other hand, the IEA expects oil demand to rebound sharply in 2021. Having been an indispensable driving force for China's economic development, oil will continue to play an important part in both energy supply and demand in the future. The sustained recovery of the domestic automobile industry also provides potential for growth in the oil and natural gas sales market. In order to execute the Group's strategy for expansion and further expand its footprint in the energy sector in China, the Group completed the acquisition of Eternal Global in August 2020, tapping into potential business areas such as petroleum refuelling, wholesaling and transportation services, further improving the Group's businesses in Northeast China and laying a solid foundation for its expansion into other regions in China.

With the proposal of the carbon neutrality target, China's natural gas industry is expected to benefit in the long term, while China Pipe Group will also bring positive factors to the domestic industry chain of natural gas. The State's continued support for the automobile industry, especially the new energy vehicles, the further boosting in China's oil and gas demand and the construction and upgrading of oil and gas infrastructure will enable the oil and gas industry continue to thrive. In addition, the availability of Covid-19 vaccines home and abroad has brought hope for the recovery from this pandemic. The recovery of global economic activities will further balance the supply and demand in the energy market, promote the rebound of oil and natural gas prices and maintain the long-term upward trend in the international energy market.

Looking into the future, the Group will continue to dig deeper into the natural gas industry, seize favorable policy opportunities and industry trends, reasonably expand its business scale with prudent risk control measures, and give full play to the synergy between the existing natural gas refuelling business and the newly acquired refuelling business to promote diversification, enhance the Group's competitiveness in the energy industry, and build a solid foundation for its long-term healthy development, thereby creating lasting value for shareholders.

## OTHER INFORMATION

### Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of HK$0.0534 per ordinary share in respect of the year ended 31 December 2020, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 16 July 2021 to shareholders whose names appear on the register of members of the Company on 23 June 2021.

## Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on 11 June 2021. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 7 June 2021.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Wednesday, 23 June 2021 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Monday, 21 June 2021 to Wednesday, 23 June 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 18 June 2021.

## Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2020, except the following:

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

Code provision A.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.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2020, together with the management.

**Model Code of Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

**Purchase, Sale or Redemption of Listed Securities**

During the year ended 31 December 2020, 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 listing of the Company on the Stock Exchange 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.

**Scope of Work of the Auditor**

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's auditor on the preliminary announcement.

**Publication of Annual Results Announcement and Annual Report**

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.united-strength.com). The annual report for the financial year ended 31 December 2020 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

**Appreciation**

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

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

Hong Kong, 26 March 2021

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