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 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 67% to RMB5,830.1 million (2020: approximately RMB3,481.3 million).
- Profit attributable to equity shareholders of the Company increased by approximately 43% to RMB176.6 million (2020: approximately RMB123.3 million).
- Basic earnings per share amounted to RMB0.47 (2020: RMB0.35).
- The Board proposed a final dividend of HK$10 million for the year ended 31 December 2021. Shareholders will receive a dividend of HK$0.0267 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 2021, together with the comparative figures for 2020 as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2021
(Expressed in Renminbi ("RMB"))

	Note	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*3*	**5,830,081**	3,481,322
Cost of sales		**(5,217,357)**	(3,011,037)
Gross profit	*3(b)*	**612,724**	470,285
Other income	*4*	**12,161**	5,975
Staff costs	*5(b)*	**(161,686)**	(136,075)
Depreciation expenses	*5(c)*	**(75,767)**	(73,403)
Impairment gain on trade receivables		**4,075**	1,919
Other operating expenses		**(98,484)**	(60,799)
Profit from operations		**293,023**	207,902
Share of profits of a joint venture		**1,003**	2,285
Finance costs	*5(a)*	**(41,902)**	(26,854)
Costs incurred in connection with the acquisitions of businesses		**–**	(12,519)
Profit before taxation	*5*	**252,124**	170,814
Income tax	*6*	**(70,200)**	(46,451)
Profit for the year		**181,924**	124,363
Attributable to:			
Equity shareholders of the Company		**176,620**	123,283
Non-controlling interests		**5,304**	1,080
Profit for the year		**181,924**	124,363
Earnings per share			
– Basic and diluted *(RMB)*	*7*	**0.47**	0.35

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021
(Expressed in RMB)

	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**181,924**	124,363
Other comprehensive income for the year (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	**(1,540)**	(6,997)
Total comprehensive income for the year	**180,384**	117,366
Attributable to:		
Equity shareholders of the Company	**175,031**	116,209
Non-controlling interests	**5,353**	1,157
Total comprehensive income for the year	**180,384**	117,366

Consolidated statement of financial position
At 31 December 2021
(Expressed in RMB)

	Note	**31 December 2021** *RMB'000*	31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**636,344**	637,847
Investment properties		**2,035**	2,199
Interest in a joint venture		**73,878**	75,028
Deferred tax assets		**7,751**	7,793
		720,008	722,867
Current assets			
Inventories		**80,025**	111,976
Trade and bills receivables	*8*	**38,346**	39,248
Prepayments, deposits and other receivables	*9*	**600,640**	256,959
Income tax recoverable		**3,582**	3,468
Cash at bank and on hand		**101,774**	138,617
		824,367	550,268
Current liabilities			
Bank and other loans		**207,453**	192,978
Trade and bills payables	*10*	**113,947**	90,139
Accrued expenses, other payables and contract liabilities	*11*	**253,654**	258,484
Lease liabilities	*12*	**124,389**	50,711
Income tax payable		**38,149**	28,763
		737,592	621,075
Net current assets/(liabilities)		**86,775**	(70,807)
Total assets less current liabilities		**806,783**	652,060

Consolidated statement of financial position *(continued)*
At 31 December 2021
(Expressed in RMB)

	Note	**31 December 2021** *RMB'000*	31 December 2020 *RMB'000*
Non-current liabilities			
Bank and other loans		**45,625**	49,078
Lease liabilities	*12*	**307,001**	311,521
Deferred tax liabilities		**5,496**	6,352
		358,122	366,951
NET ASSETS		**448,661**	285,109
CAPITAL AND RESERVES			
Share capital		**32,293**	32,293
Reserves		**379,511**	221,312
Total equity attributable to equity shareholders of the Company		**411,804**	253,605
Non-controlling interests		**36,857**	31,504
TOTAL EQUITY		**448,661**	285,109

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

2. 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 2021 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.

(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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to IFRS 16, *Covid-19 – Related Rent Concessions beyond 30 June 2021*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

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

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

Disaggregation of revenue

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

	2021	2020
	RMB'000	*RMB'000*
Disaggregated by major products or service lines:		
– Sales of refined oil and natural gas	**5,774,576**	3,429,882
– Revenue from the provision of transportation services	**54,353**	44,063
– Revenue from the trading of liquefied petroleum gas ("**LPG**"), liquefied natural gas ("**LNG**") and related chemical products	**1,152**	7,377
	5,830,081	3,481,322

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 2021 (2020: Nil).

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

(b) Segment reporting

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

– Sale of refined oil: this segment carries out sales of refined oil to vehicular end-users by 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 wholesale of refined oil to other industrial users;

– 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 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.

	2021			
	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	**5,539,329**	**236,399**	**–**	**5,775,728**
– Over time	**–**	**–**	**54,353**	**54,353**
Revenue from external customers	**5,539,329**	**236,399**	**54,353**	**5,830,081**
Inter-segment revenue	**21,906**	**246**	**54,222**	**76,374**
Reportable segment revenue	**5,561,235**	**236,645**	**108,575**	**5,906,455**
Reportable segment gross profit	**484,067**	**61,580**	**67,077**	**612,724**

	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

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

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**5,906,455**	3,543,255
Elimination of inter-segment revenue	**(76,374)**	(61,933)
Consolidated revenue *(Note 3(a))*	**5,830,081**	3,481,322
Profit		
Reportable segment gross profit	**612,724**	470,285
Other income	**12,161**	5,975
Staff costs	**(161,686)**	(136,075)
Depreciation expenses	**(75,767)**	(73,403)
Impairment gain on trade receivables	**4,075**	1,919
Other operating expenses	**(98,484)**	(60,799)
Share of profits of a joint venture	**1,003**	2,285
Finance costs	**(41,902)**	(26,854)
Costs incurred in connection with the acquisitions of businesses	**–**	(12,519)
Consolidated profit before taxation	**252,124**	170,814

(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

	2021	2020
	RMB'000	*RMB'000*
Rental income from operating leases	**2,863**	2,992
Interest income	**413**	439
Net gain/(loss) on disposal of property, plant and equipment	**1,181**	(102)
Net foreign exchange losses	**(132)**	(217)
Reversal of other receivable previously written-off	**7,590**	–
Others	**246**	2,863
	12,161	5,975

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on:		
– bank and other loans	**12,934**	14,202
– lease liabilities	**28,968**	12,652
	41,902	26,854

No borrowing costs have been capitalised during the year ended 31 December 2021 (2020: RMBNil).

(b) Staff costs:

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**149,863**	130,729
Contributions to defined contribution retirement plans	**11,823**	5,346
	161,686	136,075

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 range 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.

(c) **Other items:**

	2021	2020
	RMB'000	*RMB'000*
Depreciation expenses:		
– owned property, plant and equipment	**27,370**	36,549
– right-of-use assets	**48,233**	36,687
– investment properties	**164**	167
	75,767	73,403
Operating lease charges relating to short-term leases and leases of low-value-assets	**6,344**	252
Auditors' remuneration – audit services	**6,200**	6,200
Cost of inventories	**5,198,011**	2,993,538

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

	2021	2020
	RMB'000	*RMB'000*
Current taxation		
Provision for the year	**71,014**	49,061
Deferred taxation		
Origination and reversal of temporary differences	**(814)**	(2,610)
	70,200	46,451

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB176,620,000 and 374,502,000 ordinary shares in issue during the year.

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 of the entire issued share capital of Eternal Global Investment Limited (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 the weighted average number of ordinary shares for the year ended 31 December 2021 is as follows:

	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**374,502**	234,502
Effect of issuance of shares upon the completion of the Acquisition	**–**	100,000
Effect of issuance of the Placing Shares	**–**	14,208
	374,502	348,710

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2021 and 2020.

8. TRADE AND BILLS RECEIVABLES

	At 31 December 2021	At 31 December 2020
	RMB'000	*RMB'000*
Trade receivables, net of loss allowance, due from:		
– related parties	**–**	270
– third parties	**35,270**	26,408
	35,270	26,678
Bills receivables	**3,076**	12,570
	38,346	39,248

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 2021	At 31 December 2020
	RMB'000	*RMB'000*
Within 1 month	**34,392**	14,209
1 to 3 months	**2,507**	10,190
3 to 6 months	**1,127**	4,299
Over 6 months	**320**	10,550
	38,346	39,248

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Prepayments for purchase of inventories and services from: *(Note (i))*		
– related parties	**95,574**	15,593
– third parties	**482,671**	211,807
	578,245	227,400
Deposits to suppliers	**6,689**	5,638
Advances to staff	**2,696**	1,361
VAT recoverable	**5,611**	18,169
Others	**7,399**	4,391
	600,640	256,959

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

Note:

(i) During the fourth quarter of 2021, the management of the Group considered the increasing price trend of crude oil would likely to continue in 2022. In a view to minimise the effect of rising crude oil prices have on the Group's operations, the Group has entered into purchase contracts with and made advance payments to various suppliers to secure supply of refined oil at predetermined prices. Up to the date of the issuance of this announcement, the Group has received substantially all of the refined oil in connection with the balance of prepayments for purchase of refined oil as at 31 December 2021.

10. TRADE AND BILLS PAYABLES

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Trade payables due to:		
– related parties	**114**	10,088
– third parties	**68,833**	20,051
	68,947	30,139
Bills payables due to:		
– related parties	**–**	30,000
– third parties	**45,000**	30,000
	45,000	60,000
	113,947	90,139

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 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 1 month	**33,703**	30,139
1 to 3 months	**63,465**	30,000
Over 3 months	**16,779**	30,000
	113,947	90,139

11 ACCRUED EXPENSES, OTHER PAYABLES AND CONTRACT LIABILITIES

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Payables for staff related costs	**11,873**	6,971
Deposits from customers	**1,692**	1,445
Payables for acquisitions of property, plant and equipment	**4,578**	897
Other taxes payables	**3,545**	3,191
Amounts due to related parties *(Note (i))*	**–**	51,984
Payables to co-operative refuelling stations *(Note (ii))*	**38,001**	–
Others	**19,447**	11,005
Financial liabilities measured at amortised cost	**79,136**	75,493
Contract liabilities – receipts in advance in connection with wholesale of refined oil due to:		
– related parties	**1,194**	–
– third parties	**79,589**	83,883
	80,783	83,883
Contract liabilities – vehicular end-users' prepaid cards for consumption at refuelling stations	**93,735**	99,108
	174,518	182,991
	253,654	258,484

All of the accrued expenses and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Notes:

(i) The amounts due to related parties were unsecured, non-interest bearing and had no fixed terms of repayment.

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

12 LEASE LIABILITIES

At 31 December 2021, the Group's lease liabilities are repayable as follows:

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 1 year	**124,389**	50,711
After 1 year but within 2 years	**65,326**	53,516
After 2 years but within 5 years	**141,846**	123,504
After 5 years	**99,829**	134,501
	307,001	311,521
	431,390	362,232
Lease liabilities due to:		
– related parties	**341,317**	317,816
– third parties	**90,073**	44,416
	431,390	362,232

13. DIVIDENDS

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

	2021 *RMB'000*	2020 *RMB'000*
Final dividend proposed after the end of the reporting period of HK$0.0267 per ordinary share (2020: HK$0.0534 per ordinary share)	**8,176**	16,832

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

	2021 *RMB'000*	2020 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0534 per ordinary share (2020: HK$0.0853 per ordinary share)	**16,832**	17,855

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

The year 2021 saw a gradual recovery in economic and social activity around the world despite the ongoing COVID-19 pandemic. For the oil and gas markets, 2021 was also a year of recovery from the downturn. Global demand for oil and gas improved significantly and consumption rose steadily as a result of favorable factors such as the recovery of the global economy, the resumption of regular social activities and the positive trend of recovery in consumer markets.

In 2021, remarkable results were achieved in pandemic prevention and control in China. Enterprises resumed operation and production in an orderly manner, and the economy recovered steadily in all aspects. Meanwhile, with the goals of "carbon peaking" and "carbon neutrality", the Chinese government promoted the optimisation and upgrading of energy structure, which created huge development potential for clean energy. Against this backdrop, China's natural gas market saw "robust supply and demand". In 2021, China produced 205.3 billion cubic metres of natural gas, an increase of 8.2% year-on-year, and the production increased by over 10 billion cubic metres for the fifth consecutive year. Imported natural gas amounted to 120 million tonnes, an increase of 19.9% year-on-year; and apparent consumption reached 372.6 billion cubic metres, an increase of 12.7% year-on-year, extending the positive growth momentum during the "13th Five-Year Plan" period. Meanwhile, China Oil & Gas Pipeline Network Corporation officially commenced operation, which enabled coordinated planning of the pipeline network and improved the resource allocation efficiency, thereby promoting the market-oriented development of the natural gas industry in China and bringing tremendous development opportunities to the industry.

In the oil market, the global oil supply remained low due to the extra production cuts implemented by Saudi Arabia and the effective supply management by OPEC during the year. Coupled with the recovery in crude oil demand under the large-scale stimulus policies around the world, international oil prices fluctuated upwards in 2021. Brent crude oil closed the year at US$77.78 per barrel, representing an increase of over 50% over 2020 and the largest yearly increase in five years. Oil remained an important driving force and component of China's domestic economic and social development. In 2021, the Ministry of Commerce issued the "Guidelines for Management of Petroleum and Refined Oil Products Distribution Industry" to facilitate the market-oriented development of refined oil products at the policy level. Despite several increases in the price of domestic refined oil products during the year in line with rising international oil prices, domestic consumption of refined oil products reached 341.48 million tonnes in 2021, an increase of 3.2% year-on-year, basically returning to pre-pandemic level, as demand steadily recovered.

In terms of the domestic automobile industry, according to the data from the China Association of Automobile Manufacturers, benefiting from policy support and the rebound in consumer demand following the receding pandemic, China's vehicle sales volume in 2021 increased by 3.8% year-on-year to 26.3 million units, staying number one in the world. In addition, China strongly supports the development of the new energy vehicle industry. In January 2021, the Inter-Ministerial Joint Conference on Energy Saving and New Energy Vehicle Industry Development was held in Beijing. The conference had in-depth discussions on measures to implement the New Energy Vehicle Industry Development Plan (2021-2035) and specified the key tasks for the development of the new energy vehicle industry. Encouraged by the policy, the sales volume of new energy vehicles in China exceeded 3.5 million units in 2021, with the market share increasing to 13.4%.

2. BUSINESS AND FINANCIAL REVIEW

Our Group is a leading operator of petroleum refuelling stations and CNG refuelling stations for vehicles in Northeastern China. We run 94 refuelling stations in Northeastern China as at 31 December 2021. 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.

The table below shows the location of and product offering at our refuelling stations as at 31 December 2021:

City, Province	Gas refuelling stations	Petroleum refuelling stations	Mixed (gas and petroleum) refuelling stations	Total number of stations
Changchun City, Jilin Province	6	24	6	36
Jilin City, Jilin Province	2	7	0	9
Liaoyuan City, Jilin Province	1	4	1	6
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	0	0	1
Songyuan, Jilin Province	1	1	1	3
Siping City, Jilin Province	1	2	0	3
Tonghua City, Jilin Province	0	2	0	2
Baishan City, Jilin Province	0	3	0	3
Total station(s) in Jilin Province	**18**	**43**	**9**	**70**
Wuchang City, Heilongjiang Province	1	1	0	2
Total station(s) in Heilongjiang Province	**1**	**1**	**0**	**2**
Dandong City, Liaoning Province	0	14	1	15
Benxi City, Liaoning Province	0	1	0	1
Anshan City, Liaoning Province	0	5	0	5
Dalian City, Liaoning Province	0	1	0	1
Total station(s) in Liaoning Province	**0**	**21**	**1**	**22**
Total:	**19**	**65**	**10**	**94**

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 and to other petroleum refuelling stations, construction sites and other industrial users by operating petroleum storage facilities and wholesale of refined oil. The Group also expanded its refuelling station network through entering co-operation agreements with small-size refuelling stations during 2021, the vehicular end-users can use the prepaid cards issued by the Group at these co-operative refuelling stations for the consumption of refined oil and natural gas. For 2021, the Group recorded sales of refined oil income of RMB5,539.3 million, representing a year-on-year increase of approximately 72% and accounted for approximately 95% of the total revenue of the same year. During the year, the sales volume of refined oil reached approximately 836 thousand tonnes (2020: approximately 656 thousand tonnes), representing an increase of approximately 27% as compared with last year. The increase in sales volume was mainly due to (i) increase in market demand of petroleum products due to the recovery from the COVID-19 pandemic in China; (ii) increase in number of the petroleum refuelling stations; and (iii) the increase in marketing and promotional efforts by the Company.

Sales of natural gas business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For 2021, the Group recorded the sales of natural gas income of RMB236.4 million, representing a year-on-year increase of 13% and accounted for 4% of the total revenue of the same year. During the year, the sales volume of CNG reached 57.7 million cubic meters (2020: 51.8 million cubic meters), representing an increase of 11% as compared with last year. The increase in sales volume was mainly due to (i) increase in market demand of natural gas products due to the recovery from the COVID-19 pandemic in China; and (ii) the increase in marketing and promotional efforts by the Company.

Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For 2021, the Group recorded the transportation income of RMB54.4 million (2020: RMB44.1 million), representing a year-on-year increase of 23% 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 40 locomotives, 40 trailers and 36 head-mounted integrated vehicles (for petroleum transport), as well as 27 locomotives and 52 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 2021, the Group's revenue amounted to RMB5,830.1 million, representing an increase of RMB2,348.8 million or 67% from RMB3,481.3 million in 2020. The increase in revenue was mainly attributable to the increase in the sales volume and average selling price of the Company's wholesale and retail petroleum products during 2021.

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 2021, the Group's cost of sales increased by 73% to RMB5,217.4 million from RMB3,011.0 million in 2020 due to the increase in total purchase of the products as a result of the increase in sales volume and unit cost of procurement of the Company's products during 2021.

The gross profit for 2021 was RMB612.7 million (2020: RMB470.3 million), with a gross profit margin of 11% (2020: 14%). The decrease in gross profit margin was mainly due to the increase in the wholesales of refined oil products with lower gross profit margin which contributed higher proportion of the Group's total revenue in 2021. The increase in gross profit was mainly attributable to the increase in the sales volume of the Company's products, which in line with the increase in revenue compared with that of the previous year.

Impairment Gain on Trade Receivables

Impairment gain on trade receivables was for recovery of trade receivables for which was impaired in the previous year. For 2021, impairment gain on trade receivables amounted to approximately RMB4.1 million (2020: approximately RMB1.9 million).

Other Income

Other income mainly comprises rental income, net gain on disposal of property plant and equipment and reversal of written-off receivable. For 2021, other income amounted to RMB12.2 million, representing an increase of RMB6.2 million from RMB6.0 million in 2020. The increase in other income was mainly attributable to the reversal of written-off receivable as a subsidiary of the Group received refund of deposit for purchase of land use rights and related interest from local government authorities during 2021.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2021, staff costs amounted to RMB161.7 million, representing an increase of RMB25.6 million from RMB136.1 million in 2020. The increase in staff costs was principally attributable to the increase in number of staff, average salary payable for staff and the Group's contributions to defined contribution retirement plans during 2021.

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, increased from RMB60.8 million to RMB98.5 million. The increase was mainly attributable to increase in legal and professional fees and business entertainment and promotional expenses during 2021.

For 2021, the finance costs amounted to approximately RMB41.9 million (2020: approximately RMB26.9 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 in August 2020.

Costs Incurred in Connection with the Acquisitions of Businesses

Costs incurred in connection with contemplated acquisitions of businesses represent the professional fees and other expenses incurred in relation to the acquisition of the entire issued share capital of Eternal Global Investments Limited ("**Eternal Global**"). The Company completed the acquisition on 24 August 2020 and therefore no such expenses incurred in 2021. The Group recognised non-recurring expenses of approximately RMB12.5 million in the corresponding period in 2020.

Share of Profits of a Joint Venture

With the completion of acquisition of Silver Spring Green Energy Limited ("**Silver Spring**"), the Group shared 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. The share of profits of CTS Financial Leasing amounted to approximately RMB1.0 million for 2021.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2021 increased by RMB81.3 million, constituting a profit before tax of RMB252.1 million (2020: RMB170.8 million).

Income Tax Expenses

In 2021, income tax expenses increased by RMB23.7 million, or 51%, to RMB70.2 million from RMB46.5 million in 2020. Such increase was mainly due to higher profit before taxation recorded during 2021.

Profit for the Year

For 2021, the net profit of the Group amounted to RMB181.9 million, representing an increase of RMB57.5 million from RMB124.4 million in 2020.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2021. Total assets increased by 21% to RMB1,544.4 million (31 December 2020: RMB1,273.1 million) while total equity increased by 57% to RMB448.7 million (31 December 2020: RMB285.1 million).

Bank Balances and Cash

As at 31 December 2021, the Group's bank balances and cash amounted to RMB101.8 million (31 December 2020: RMB138.6 million).

Capital Expenditure

Capital expenditure to owned property, plant and equipment for the year ended 31 December 2021 amounted to RMB23.8 million and our Group's capital commitments as at 31 December 2021 amounted to RMB4.6 million. Both the capital expenditure and capital commitments are 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 future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2021 and 2020 are summarised below:

	As at 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**207,453**	**82**	192,978	80
Long-term borrowings	**45,625**	**18**	49,078	20
Currency denomination				
– RMB	**253,078**	**100**	200,464	83
– HKD	**–**	**0**	41,592	17
Borrowings				
– secured	**253,078**	**100**	242,056	100
Interest rate structure				
– fixed-rate borrowings	**253,078**	**100**	242,056	100
Interest rate				
– fixed-rate borrowings	4.3%-7.5%		4.30%-10.00%	

As at 31 December 2021, the Group's gearing ratio was 71% (31 December 2020: 77%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2021 and 2020 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 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. As disclosed in the announcement of the Company dated 30 March 2022, the Board has resolved to further reallocate the proceeds that originally assigned for the establishment of an industry merger and acquisition fund to the expansion of petroleum and gas refuelling station network. 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 date of this announcement** *HK$'000*	**Remaining balance as at date of this announcement** *HK$'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	4,972	828	By the end of 2022
General working capital	5,800	5,800	5,800	–	–
Establishment of an industry merger and acquisition fund	–	50,000	–	–	–
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	–	–
Expansion of petroleum and gas refuelling station network	–	–	–	50,000	By the end of 2023
Total	115,600	115,600	64,772	50,828	

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 2021, the aggregate carrying amount of the property, plant and equipment of the Group of RMB9.2 million were pledged for the Group's bank and other loans and bank acceptance bills facilities. As at 31 December 2021, bank loans and bank acceptance bills facilities of the Group amounted RMB128,000,000. In addition, the Group's bank loan of RMB20 million was 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 31 December 2021, the Board is not aware of any material contingent liabilities (2020: Nil).

Human Resources

As at 31 December 2021, the Group had 1,768 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 2021, 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

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2021.

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

In 2021, the Fourth Session of the 13th National People's Congress approved the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (the "**Outline**"). Continuing to push forward the energy revolution, building a clean, low-carbon, safe and efficient energy system, and improving the ability to secure energy supply is one of the key elements of the Outline. In the "Opinions on Accelerating the Utilisation of Natural Gas" previously published by the National Development and Reform Commission, it was clearly stated that China will improve its natural gas production capacity, increase the domestic supply of natural gas and gradually promote natural gas as one of the main energy sources in China's modern clean energy system. Guided by national policies, China's natural gas industry is expected to experience robust development as the most promising source of clean energy. According to Sinopec's research institution, China's natural gas demand is expected to reach 395 billion cubic metres in 2022. The China Natural Gas Development Report (2021) jointly prepared by the National Energy Administration and other state departments projected that by 2025, China's natural gas production will reach over 230 billion cubic metres and natural gas consumption will reach 430 billion to 450 billion cubic metres.

In terms of oil, the International Energy Agency was optimistic about the development of the global oil market, with global oil consumption expected to increase from 96.2 million barrels per day in 2021 to 99.53 million barrels per day in 2022, basically recovering to the pre-pandemic level. Recently, OPEC also raised its forecast for global oil demand in the first quarter of 2022 and maintained its forecast for global crude oil supply to recover to pre-pandemic level in 2022. With the steady recovery of China's macro economy, China's oil demand will continue to grow and is expected to gradually reach 730 million to 750 million tonnes by the end of the "14th Five-Year Plan" period.

As supply-side reforms continue to deepen, China's automotive market will also continue to grow. In particular, under the guidance of the national policy on automobile industry, breakthroughs will be made in new energy vehicle technology and the new energy vehicles industry will develop rapidly. In addition, in the context of ongoing pandemic prevention and control, concerns about the crowded situation in the public transport system will also lead to a growing consumer demand for private cars. The robust development of the oil and gas industry and the automotive industry will provide significant growth potential for the oil and gas sales and transportation market.

To capture the opportunities from recovery of the domestic oil and gas market and to promote business diversification, the Group completed the acquisition of Eternal Global in August 2020, which enabled the Group to expand to other business sectors including refuelling business, oil wholesale business and transportation services, further enhancing the Group's market competitiveness in the industry. Looking forward, the Group will leverage on its extensive industry experience, pay close attention to market movements and continue to actively seek strategic cooperation to further broaden the Group's diversified portfolio in the new energy era. Meanwhile, the Group will capitalise on the favorable opportunities arising from China's energy transition and continue to focus on the natural gas industry. It will also fully utilise the synergies between the existing natural gas refuelling business and the newly acquired refuelling and oil and gas transportation businesses to lay a solid foundation for the Group's stable development, thereby creating more valuable returns for shareholders.

With the interruption of economic activities in China brought by COVID-19, the Group's financial results may be affected. Having said that, the Group has strived its best to ensure the operation in China are functioning and it has managed to maintain stable supply of goods and services to the customers as at the date of this announcement. In view of the challenging business environment, the Group will continue to strictly monitor the situation and keep close contact with its suppliers to safeguard the stable supply of products. The Group will get prepared to overcome any hurdle ahead and realize its value to the Shareholders and business partners.

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$0.0267 per ordinary share in respect of the year ended 31 December 2021, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 8 July 2022 to shareholders whose names appear on the register of members of the Company on 20 June 2022.

Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on 10 June 2022. 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, 7 June 2022 to Friday, 10 June 2022, 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, 6 June 2022.

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 Monday, 20 June 2022 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Thursday, 16 June 2022 to Monday, 20 June 2022, 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 Wednesday, 15 June 2022.

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 2021, except the following:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that was held in Hong Kong on 11 June 2021 due to their commitments outside Hong Kong.

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 2021, 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 2021.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2021, 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 2021 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 2021 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, 30 March 2022

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.