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

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)
Mr. Yuan Limin (resigned with effect from 27 July 2022))

Non-executive Director

Mr. Xu Huilin

Independent Non-Executive Directors

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Xu Huilin
Mr. Lo Wai Kit

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 2101, Unit 1
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Solana 2, Erdao District
Changchun
Jilin Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 4310, 43/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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

AUDITOR

KPMG
(Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

STOCK CODE

2337

COMPANY WEBSITE

www.united-strength.com

CONTACT DETAILS

Phone: (852) 3896 3333
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FINANCIAL HIGHLIGHTS

	2022 RMB'000	2021 RMB'000
Revenue	**6,089,366**	5,830,081
Gross profit	**393,102**	612,724
Profit for the year	**18,951**	181,924
Profit attributable to equity shareholders of the Company	**16,530**	176,620
Gross profit margin	**6%**	11%
Earnings per share		
— Basic & Diluted (RMB)	**0.04**	0.47
Total assets	**1,555,454**	1,544,375
Net assets	**467,624**	448,661

CHAIRMAN'S STATEMENT

Zhao Jinmin *Chairman & Chief Executive Officer*

Dear Shareholders,

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (hereinafter referred to as "**United Strength Power**", "**the Company**" or "**our Company**"), hereby present the annual business results of our Company and its subsidiaries (hereinafter collectively referred to as "**our Group**", "**we**" or "**us**") for the year ended 31 December 2022 (hereinafter referred to as the "**Reporting Period**").

BUSINESS REVIEW

The year of 2022 exceeded all expectations both domestically and overseas. In the first half of the year, China faced the pressure of an economic downturn due to the impact of waves of large-scale COVID outbreaks, a rise in commodity trading prices occasioned by the Russia-Ukraine conflict and a rapid shift in Western monetary policy in response to global inflation. In the second half, China's economic growth rebounded strongly and gradually stabilized as progress against the epidemic was made and a series of measures aimed at supporting the economy was successfully introduced.

Changes in the macroeconomic environment, which includes government policies and regulations and the energy consumption structure, affect the economics of both the natural gas and oil markets. In 2022, reduced supply combined with rising prices suppressed public demand for natural gas and oil consumption. According to the latest data released by the National Development and Reform Commission ("**NDRC**"), the apparent consumption of natural gas in China fell to 299.93 billion cubic metres from January to October of 2022, a decline of 1.1% year-on-year. NDRC also estimated that the annual demand for natural gas in China in the full year of 2022 went down by 1.3% to 353 billion cubic metres, a decline of 4.7 billion cubic metres year-on-year, making it the first year-on-year decline in history. Meanwhile, the price of crude oil imports soared from US$573/ton in January to a peak of US$808/ton in July, an increase of 41.10% in six months, and remained at higher levels throughout the year. Overall, including the impact of the epidemic, demand for crude oil consumption in China declined in 2022, with consumption down 0.82% year-on-year ending in the month of October.

Meanwhile, a series of new-energy vehicle sales measures were introduced in succession to coordinate with the national energy structure adjustment policy. The increasing penetration of new-energy vehicles means the demand for gasoline vehicles is being gradually replaced by the public. In August 2022, the Ministry of Industry and Information Technology, the Development and Reform Commission and the Ministry of Ecology and Environment jointly released the "Implementation Plan for the Industrial Peak Carbon Dioxide Emissions," which proposed that by 2030, the proportion of new-energy vehicles and clean energy-powered transportation should reach approximately 40%. The surge in sales of new-energy vehicles will reduce reliance on oil imports as well as oil consumption.

In December 2022, the Group entered into a supply agreement with Songyuan Petrochemical, a local company in Jilin Province, to provide a stable source of oil supply to the Group's petrol refuelling stations for the year 2023. This will reduce the impact of fluctuations in oil prices, guarantee the sustainability of the stations' customer services and maintain the stability of the Group's revenue stream.

FUTURE PROSPECTS

Energy consumption is a synchronous indicator of economic growth and development. As the national supply-side structural reform continues to be pushed forward, transformation and upgrading of the energy consumption structure is inevitable. The country actively drives the development of clean energy industry while promotes emission reduction in traditional industries. In April 2022, the "Guidance to Promote High-Quality Development of Petrochemical and Chemical Industry in the 14th Five-Year Plan" ("**the Guidance**") put forward the main objectives of high-quality development during the 14th Five-Year Plan period. The Guidance pointed out that by 2025, the petrochemical and chemical industries should have established a high-quality development pattern with innovative, self-dependent, reasonably structured, safe, clean, highly-efficient low-carbon energy systems. By then, the ability to guarantee high-end products should be greatly improved and the core competitiveness significantly enhanced. In the meantime, during the post-epidemic recovery period, the supply-demand balance of crude oil and domestic oil consumption will continue to be restored, benefiting from the stockpile gains brought about by rising oil prices.

Looking forward to 2023, with side effects from the epidemic receding and the resumption of production taking place across China, we expect to see the return of economic stability in most sectors of the economy. In January 2022, the NDRC and the National Energy Administration jointly released the "14th Five-Year Plan for a Modern Energy System", proposing that by 2025, China's annual natural gas production capacity will reach more than 230 billion cubic metres. Provincial and municipal governments also released their "14th Five-Year Plan" for energy development, actively implementing guidelines for the development of natural gas. Therefore the public demand for natural gas will continue to rise. According to the National Energy Administration, the natural gas consumption is expected to reach 430 to 450 billion cubic metres in 2025 and 550 to 600 billion cubic meters in 2030, maintaining a high rate of growth in consumption.

A new start brings new challenges. The Group will continue to follow the trend of the national energy restructure from high growth to high-quality development. Led by policies and regulations, the Group will leverage its extensive experience in the energy market in Northeast China to actively explore different sectors related to its principal business and ensure its sustainability. Meanwhile, the Group will continue to ensure the stability of the energy supply, enhance the value chain of the industry, continuously optimize and upgrade our products and services, improve our overall competitiveness and expand our regional market share. In the new-energy era, the Group will also continue to promote business diversification that creates greater returns for shareholders.

APPRECIATION

In the year full of opportunities and challenges, the Group's continuous growth was driven by the continuous support of our shareholders, investors and business partners, as well as the hard work and dedication of our management and all staff members, for which the Board would like to express its sincere gratitude.

Zhao Jinmin
Chairman

Hong Kong

31 March 2023

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In 2022, the global natural gas supply and demand pattern changed dramatically and the domestic natural gas market faced critical challenges. On the supply side, the domestic natural gas market faced pressure in response to a significant reduction in Russian pipeline gas production and a significant increase in US LNG exports to the European Union and the United Kingdom. All together led to a sharp rise in gas prices in the international natural gas market, and a noticeable decline in domestic LNG imports. According to the latest data from the General Administration of Customs, the total volume of domestic LNG imports from January to October 2022 declined to 50.51 million tonnes, a decrease of 22.8% year-on-year, while the impact of slowing economic growth and uncertainty about economic recovery combined with rising prices concurrently suppressed public demand for natural gas consumption. According to the latest data from the National Development and Reform Commission ("**NDRC**"), the apparent consumption of natural gas fell to 299.93 billion cubic metres from January to October 2022, a decline of 1.1% year-on-year. This to some extent affected the Group's business growth as it operated in the region with the highest natural gas consumption in China.

Meanwhile, domestic oil consumption also came under pressure. In 2022, international oil prices remained at high levels, with Brent and WTI crude oil prices averaging US$99.04 and US$94.30 per barrel respectively, representing an increase of approximately 39.6% and 38.5%. During the same year, the outbreak of the Russia-Ukraine conflict and the Fed's aggressive interest rate hike, which triggered fears of an economic recession, contributed to the increase in international oil prices. The unit price of domestic crude oil imports rose from US$573 per tonne in January to a high of US$808 per tonne in July, an increase of 41.1% over the six-month period, and remained at a higher level throughout the balance of the 2022. The epidemic also had an overall negative impact on the demand for crude oil in China in 2022, with consumption down 0.8% year-on-year for the ten months ended in October.

To achieve carbon peaking and carbon neutrality goals, the country actively drives the development of clean energy industry while promotes emission reduction in traditional industries. Encouraged by the national energy structure adjustment policies, the sales of new-energy vehicles surged significantly with its market penetration gradually increased. From January to July 2022, sales of new-energy vehicles accounted for 22% of total vehicle sales. In August, the Ministry of Industry and Information Technology (MIIT), the NDRC and the Ministry of Ecology and Environment (MOE) jointly released the

Implementation Plan for the Industrial Sector Carbon Summit, which set the goal for the proportion of new-energy and clean-energy vehicles to reach approximately 40% by the year of 2030. Overall, the replacement of gasoline vehicles with new-energy vehicles has accelerated, which also has contributed to the slowdown in the growth of oil and gas consumption.

"The 14th Five-Year Plan" has clearly defined the domestic energy structure and accelerated its development towards a low-carbon direction, reshaping the supply and consumption pattern of natural gas and oil in Jilin Province. In November, the National Energy Administration convened a press conference to explain the "Action Plan to Enhance Carbon Neutral Standardisation of Energy Peaking" for the fourth quarter of 2022, followed by the introduction of peaking implementation plans in various provinces and regions. In response, Jilin Energy Bureau and Jilin Department of Ecology and Environment issued the 14th Five-Year Plan for the Development of New and Renewable Energy in Jilin Province and the Implementation Plan for the Synergy and Efficiency of Pollution Reduction and Carbon Reduction in Jilin Province, as well as other plans related to renewable energy and carbon reduction.

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 87 refuelling stations in Northeastern China as at 31 December 2022. 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 2022:

City, Province	Gas refuelling stations	Petroleum refuelling stations	Mixed (gas and petroleum) refuelling stations	Total number of stations
Changchun City, Jilin Province	4	21	7	32
Jilin City, Jilin Province	2	6	–	8
Liaoyuan City, Jilin Province	–	4	1	5
Helong City, Jilin Province	1	–	–	1
Yanji City, Jilin Province	4	–	–	4
Wangqing, Jilin Province	1	–	–	1
Meihekou, Jilin Province	1	1	–	2
Antu, Jilin Province	1	–	–	1
Longjing, Jilin Province	–	–	1	1
Hunchun, Jilin Province	–	1	–	1
Baicheng, Jilin Province	1	2	–	3
Songyuan, Jilin Province	1	1	–	2
Siping City, Jilin Province	1	–	–	1
Baishan City, Jilin Province	–	1	–	1
Total station(s) in Jilin Province	**17**	**37**	**9**	**63**
Wuchang City, Heilongjiang Province	1	1	–	2
Total station(s) in Heilongjiang Province	**1**	**1**	**–**	**2**
Dandong City, Liaoning Province	–	14	1	15
Benxi City, Liaoning Province	–	1	–	1
Anshan City, Liaoning Province	–	5	–	5
Dalian City, Liaoning Province	–	1	–	1
Total station(s) in Liaoning Province	**–**	**21**	**1**	**22**
Total:	**18**	**59**	**10**	**87**

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 2022, 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 2022, the Group recorded sales of refined oil income of approximately RMB5,819.5 million, representing a year-on-year increase of approximately 5% and accounted for approximately 96% of the total revenue of the same year. During the year, the sales volume of refined oil reached approximately 725 thousand tonnes (2021: approximately 836 thousand tonnes), representing a decrease of approximately 13% as compared with last year. The decrease in sales volume was mainly due to the decrease in market demand of petroleum products due to the interruption of economic activities in Northeastern China brought by COVID-19 pandemic in particular, the Omicron variant during 2022.

Sales of natural gas business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For 2022, the Group recorded the sales of natural gas income of RMB212.2 million, representing a year-on-year decrease of 10% and accounted for 3% of the total revenue of the same year. During the year, the sales volume of CNG reached 45.6 million cubic meters (2021: 57.7 million cubic meters), representing a decrease of 21% as compared with last year. Similar to refined oil business, the decrease in sales volume was mainly due to the decrease in market demand of petroleum products due to the interruption of economic activities in Northeastern China brought by COVID-19 pandemic in particular, the Omicron variant during 2022.

Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For 2022, the Group recorded the transportation income of RMB57.7 million (2021: RMB54.4 million), representing a year-on-year increase of 6% 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 41 locomotives, 42 trailers and 38 head-mounted integrated vehicles (for petroleum transport), as well as 28 locomotives and 54 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 2022, the Group's revenue amounted to RMB6,089.4 million, representing an increase of RMB259.3 million or 4% from RMB5,830.1 million in 2021. The increase in revenue was mainly attributable to the increase in the average selling price of the Company's wholesale and retail petroleum products during 2022.

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 2022, the Group's cost of sales increased by 9% to RMB5,696.3 million from RMB5,217.4 million in 2021 due to the increase in total purchase of the products as a result of the increase in unit cost of procurement of the Company's products during 2022.

The gross profit for 2022 was RMB393.1 million (2021: RMB612.7 million), with a gross profit margin of 6% (2021: 11%). The decrease in gross profit margin was mainly attributable to i) the increase in the unit cost of procurement of the Company's products and ii) the increase in the wholesales of refined oil products with lower gross profit margin which contributed higher proportion of the Group's total revenue in 2022. The decrease in gross profit was mainly attributable to the decrease in the sales volume and gross profit margin of the Company's products compared with that of the previous year.

Impairment (Loss)/Gain on Trade Receivables

Impairment loss on trade receivables was for the trade receivables for which impairment loss was provided in 2022. For 2022, impairment loss on trade receivables amounted to approximately RMB2.2 million (2021: impairment gain on trade receivables of approximately RMB4.1 million).

Other Income

Other income mainly comprises rental income, government grant and interest income. For 2022, other income amounted to RMB6.5 million, representing a decrease of RMB5.7 million from RMB12.2 million in 2021. The decrease in other income was mainly attributable to no 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 2022.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2022, staff costs amounted to RMB154.9 million, representing a decrease of RMB6.8 million from RMB161.7 million in 2021. The decrease in staff costs was principally attributable to the decrease in number of staff and average salary payable for staff during 2022.

Other Operating Expenses and Finance Costs

Other operating expenses, including utilities expenses related to gas and oil refuelling stations, repair and maintenance expenses related to refuelling stations, professional fees and other general office expenses, decreased from RMB98.5 million to RMB78.2 million. The decrease was mainly attributable to the decrease in operating activities of the Company during the outbreak of COVID-19, in particular the Omicron variant, in Northeastern China during 2022.

For 2022, the finance costs amounted to approximately RMB36.3 million (2021: approximately RMB41.9 million). The decrease in finance costs was mainly attributable to the decrease in interest expenses on lease liabilities as a result of entering into the Entrusted Management Agreement in August 2020.

Share of results and impairment Loss 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 Group recognised an impairment loss on CTS Financial Leasing in the amount of approximately RMB14.1 million, net of the share of profit amounted to approximately RMB0.2 million for 2022.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2022 decreased by RMB215.2 million, constituting a profit before tax of RMB36.9 million (2021: RMB252.1 million).

Income Tax Expenses

In 2022, income tax expenses decreased by RMB52.3 million, or 75%, to RMB17.9 million from RMB70.2 million in 2021. Such decrease was mainly due to lower profit before taxation recorded during 2022.

Profit for the Year

For 2022, the net profit of the Group amounted to RMB19.0 million, representing a decrease of RMB162.9 million from RMB181.9 million in 2021.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2022. Total assets increased by 1% to RMB1,555.5 million (31 December 2021: RMB1,544.4 million) while total equity increased by 4% to RMB467.6 million (31 December 2021: RMB448.7 million).

Bank Balances and Cash

As at 31 December 2022, the Group's bank balances and cash amounted to RMB138.6 million (31 December 2021: RMB101.8 million).

Capital Expenditure

Capital expenditure to owned property, plant and equipment for the year ended 31 December 2022 amounted to RMB12.0 million and our Group's capital commitments as at 31 December 2022 amounted to RMB11.6 million. Both the capital expenditure and capital commitments are mainly related to the purchases of plant and equipment. 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 2022 and 2021 are summarised below:

	As at 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Short-term borrowings	298,925	100	207,453	82
Long-term borrowings	–	–	45,625	18
Currency denomination – RMB	298,925	100	253,078	100
Borrowings – secured	298,925	100	253,078	100
Interest rate structure – fixed-rate borrowings	298,925	100	253,078	100
Interest rate – fixed-rate borrowings	3.7%-7.5%		4.3%-7.5%	

As at 31 December 2022, the Group's gearing ratio was 70% (31 December 2021: 71%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2022 and 2021 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$'000	Revised allocation (as of 30 March 2022) HK$'000	Utilization as at 31 March 2023 HK$'000	Remaining balance as at 31 March 2023 HK$'000	Expected timeline for full utilization of the remaining proceeds
Finance the expansion of the CNG refuelling station network	104,000	19,500	19,500	–	–
Strengthen the marketing and promotion strategies	5,800	5,800	5,800	–	–
General working capital	5,800	5,800	5,800	–	–
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	–	–
Expansion of petroleum and gas refuelling station network	–	50,000	–	50,000	By the end of 2023
Total	**115,600**	**115,600**	**65,600**	**50,000**	

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

Pledge of Assets

As at 31 December 2022, the aggregate carrying amount of the property, plant and equipment of the Group of RMB34.9 million were pledged for the Group's bank and other loans and bank acceptance bills facilities. At 31 December 2022, bank loans and bank acceptance bills facilities of the Group amounted to RMB150,000,000, and were utilised to the extent of RMB144,950,000. In addition, the Group's bank loan of RMB20.0 million and bank acceptance bills facilities of RMB30.0 million were secured by the personal guarantee by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, chief executive officer, executive director and chairman of the Board, and Ms. Ji Yuanyuan (姬媛媛女士), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this report and as at 31 December 2022, the Board is not aware of any material contingent liabilities (2021: Nil).

Human Resources

As at 31 December 2022, the Group had 1,620 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 2022, 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 report, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2022.

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 NDRC, 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

The epidemic outbreaks and recovery, China-US diplomatic relations and the Russia-Ukraine conflict have been the main variables affecting public consumption of oil and gas since 2022. With the easing of the epidemic, improving pandemic control measures and the implementation of economic growth policies, the resumption of production is rapidly taking place across China and the travel-related consumption is also recovering. According to the Economic and Technical Research Institute of the China National Petroleum Corporation, domestic oil demand is expected to recover significantly starting the second quarter of 2023. According to the "Analysis of Natural Gas Consumption Trends in China's 14th Five-Year Plan", consumption in all provinces will continue to increase during the 14th Five-Year Plan period, with Jilin Province's natural gas consumption growth rate reaching 9.8%, with a total consumption of 22.3 billion cubic metres.

To solve the problem of uneven gas demand across the country, the NDRC, the Ministry of Finance and five other departments jointly issued the "Implementation Opinions on Accelerating the Construction of Natural Gas Reserves" in the first half of 2022, which put forward relevant policies and measures regarding various aspects such as planning layout, operation mode, institutional mechanism, and policy support to ease the unbalanced demand of gas-consumption across the country. The "Gasification Jilin" project of the Jilin Provincial Government has played a positive role in promoting the construction of natural gas reserves, and the oil and gas pipeline network of the province's "two horizontal, three vertical and one center" has also improved the interconnection and allocation of resources. Supported by policy and infrastructure, as a leading operator of automotive natural gas refuelling stations in Jilin Province, the Group still enjoys a clear regional competitive advantage.

In March 2022, the NDRC and the National Energy Administration (NEA) jointly published the 14th Five-Year Plan for a Modern Energy System, which clearly defines the state's role in supporting energy supply and price stability. The 14th Five-Year Plan calls for strengthening fossil energy production and reserve mechanisms to ensure stable energy supply. It proves that the role of oil and natural gas plays in energy consumption remains important and difficult to be replaced in a relative long term.

In December 2022, the EU's US$60 per barrel price cap on Russian crude oil came into force, and in the same month the OPEC announced that it would continue to cut production by 2 million barrels per day from November 2022 to December 2023. International oil prices fell after these two significant factors were introduced into the international oil market. On 9 December 2022, the price of Brent crude oil was US$76.10 per barrel, down 11.07% on the previous week, while the price of WTI crude oil was US$71.02 per barrel, down 11.20% on the previous week. In terms of natural gas, the global natural gas supply and demand structure is facing an adjustment, and according to the IEA, global natural gas production in 2023 will decline by 0.49% year-on-year, and global natural gas consumption demand will decline by 0.78% year-on-year.

To ensure stable supply and prices and enhance energy security, China has been actively improving its oil and gas resources exploration and reserve capacity and reducing reliance on external oil and gas resources. In December of 2022, the Central Economic Work Conference proposed to further strengthen domestic exploration and reserves of energy and mineral resources in 2023, with the aim of accelerating the planning and construction of a new energy system, thereby enhancing the national strategic material reserve capacity. Looking ahead to 2023, the oil and gas crisis will recede, supply and demand conflicts in the international market will improve, global natural gas prices will decline, and price fluctuations will be reduced. The central bank's announcement of an interest rate cut has resulted in a positive signal of recovered demand. As the economy gradually stabilised and recovered, consumption of natural gas and refined oil products will rebound.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of the Shareholders and enhance the corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as its own code of corporate governance. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code. The Company has complied with all applicable code provisions under the CG Code throughout the year ended 31 December 2022, save as disclosed in this annual report, except the following:

Code provision C.1.6 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting and the extraordinary general meeting of the Company that was held on 10 June 2022 and 19 December 2022 respectively due to their overseas commitments.

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. After the change of the chief executive officer with effect from 31 December 2020, Mr. Zhao is both the chairman of the Board and the chief executive officer of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2022. Details of the shareholding interests held by the Directors as at 31 December 2022 are set out in page 88 of this annual report.

BOARD OF DIRECTORS

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has a balanced composition of executive, non-executive and independent non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Board members are listed below:

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)
Mr. Yuan Limin (resigned with effect from 27 July 2022)

Non-Executive Director

Mr. Xu Huilin

Independent Non-executive Directors

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

Biographical information of the Directors is set forth on pages 79 to 81 of this annual report.

Mr. Zhao Jinmin and Mr. Liu Yingwu entered into a service contract with the Company commencing on 1 April 2017, and Mr. Yuan Limin, Mr. Ma Haidong and Mr. Wang Zhiwei have entered into a service contract with the Company commencing on 27 November 2018, 24 August 2020 and 27 July 2022 respectively, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to the non-executive Director commencing on 31 December 2020, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors (save for Mr. Zhang Zhifeng) commencing on 1 September 2017 and to Mr. Zhang Zhifeng commencing on 27 November 2018, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than three months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. After the change of the chief executive officer with effect from 31 December 2020, Mr. Zhao is both the chairman of the Board and the chief executive officer of the Company. The Board considers that having the same person to perform the roles of both the chairman and the chief executive officer provides the Company with strong and consistent leadership, and allows effective and efficient planning and implementation of business decisions and strategies. Such structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals and having meeting regularly to discuss issues affecting the operations of the Group.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors at least three days prior to the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When the Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman of the Board or the relevant chairman of the Board Committee prior to the meeting.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions made, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board and Board Committee meeting are kept by the duly appointed secretary of the meeting and are open for inspection by Directors.

In 2022, four Board meetings were held and the attendance of each Director at the meeting is set out in the table below:

Director	Number of Board meetings attended
Mr. Zhao Jinmin	4/4
Mr. Liu Yingwu	4/4
Mr. Ma Haidong	4/4
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)	2/2
Mr. Yuan Limin (resigned with effect from 27 July 2022)	1/2
Mr. Xu Huilin	4/4
Ms. Su Dan	4/4
Mr. Lau Ying Kit	4/4
Mr. Zhang Zhifeng	4/4

The company secretary of the Company (the "**Company Secretary**") is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. During the year ended 31 December 2022, Mr. Lo Wai Kit was the Company Secretary.

The Chairman had a meeting with the independent non-executive Directors without the presence of executive Directors in 2022.

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association (the "**Articles**") also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each of the newly appointed Directors on his/her first appointment in order to enable him/her to have an appropriate understanding of the business and operations of the Company and to be fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. During the year, the Group has provided training materials for all the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received for financial year ended 31 December 2022 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. Zhao Jinmin	B
Mr. Liu Yingwu	B
Mr. Ma Haidong	B
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)	A and B
Mr. Yuan Limin (resigned with effect from 27 July 2022)	B
Non-Executive Director	
Mr. Xu Huilin	B
Independent Non-executive Directors	
Ms. Su Dan	B
Mr. Lau Ying Kit	B
Mr. Zhang Zhifeng	B

Notes:

A: *attending briefings/seminars/forums/workshops/conference relevant to the business or directors' duties*

B: *reading regulatory updates on laws, rules and regulations relating to directors' roles and functions*

AUDIT COMMITTEE

During the year under review, the primary responsibilities carried out by the Audit Committee include:

– making recommendations to the Board on the appointment and reappointment of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors;

– reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts and interim report, and reviewing significant financial reporting judgments contained in such reports; and

– overseeing the Company's financial reporting system, risk management and internal control systems, including but not limited to, review of financial control, risk management and internal control systems, consideration of actions to be taken in respect of any findings of major investigations of risk management and internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee comprises Mr. Lau Ying Kit, Ms. Su Dan and Mr. Zhang Zhifeng who are independent non-executive Directors. The Audit Committee is chaired by Mr. Lau Ying Kit.

Two meetings were held with the management and the external auditors in 2022. Members of Audit Committee attendance at committee meetings held during their term of office are listed below:

	Number of Audit Committee Meetings attended/held
Committee members	
Mr. Lau Ying Kit *(Chairman)*	2/2
Ms. Su Dan	2/2
Mr. Zhang Zhifeng	2/2

Full minutes of the Audit Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no different view taken by the Audit Committee from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

A set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 21 September 2017 and the contents of which are in compliance with the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on Hong Kong Exchanges and Clearing Limited's ("**HKEx**") website at www.hkexnews.hk and on the Company's website at www.united-strength.com.

REMUNERATION COMMITTEE

During the year under review, the primary responsibilities carried out by the Remuneration Committee include:

– making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;

– determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;

– reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

– ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

– approving the terms of executive Directors' service contracts.

The Remuneration Committee comprises Mr. Liu Yingwu who is an executive Director and Mr. Zhang Zhifeng and Ms. Su Dan who are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Zhang Zhifeng.

One meeting was held in 2022. Members of Remuneration Committee attendance at committee meetings held during their term of office are listed below:

	Number of Remuneration Committee Meeting attended/held
Committee members	
Mr. Liu Yingwu	1/1
Ms. Su Dan	1/1
Mr. Zhang Zhifeng	1/1

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 21 September 2017 and the contents of which are in compliance with the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the HKEx's website at www.hkexnews.hk and on the Company's website at www.united-strength.com.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 8 to the financial statements.

The remuneration of the members of senior management by bands in 2022 is set out below:

Remuneration bands	Number of individuals
Nil–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	1
	2

NOMINATION COMMITTEE

The Nomination Committee comprises Mr. Xu Huilin who is a non-executive Director, and Ms. Su Dan and Mr. Zhang Zhifeng who are independent non-executive Directors. The Nomination Committee is chaired by Ms. Su Dan. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors. A set of written terms of reference, which described the authority and duties of the Nomination Committee, was adopted by the Board on 21 September 2017 and the contents of which are in compliance with the CG Code. The said terms of reference of the Nomination Committee adopted by the Board are available on the HKEx's website at www.hkexnews.hk and on the Company's website at www.united-strength.com.

The Nomination Committee adopted a policy concerning diversity of Board members (the "**Board Diversity Policy**"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommend any such revisions to the Board for approval.

The Nomination Committee shall identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

In evaluating and selecting a candidate for directorship, the following criteria should be considered:

– character and integrity;

– qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

– any measurable objectives adopted for achieving diversity on the Board;

– any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

– willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Two meetings were held in 2022. Members of Nomination Committee attendance at committee meeting held during their term of office are listed below:

	Number of Nomination Committee Meetings attended/held
Committee members	
Ms. Su Dan *(Chairman)*	2/2
Mr. Xu Hulin	2/2
Mr. Zhang Zhifeng	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties set out in code provision A.2.1 of the CG Code as follows:

(i) developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board;

(ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

(iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements (where applicable);

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and

(v) reviewing the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2022, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 99 of this annual report.

EXTERNAL AUDITORS

The Group appointed KPMG as the Group's principal external auditors. The acknowledgement of their responsibilities for the audit of the consolidated financial statements of the Group is set forth in the Independent Auditor's Report on pages 94-100 of this annual report.

The remuneration paid or payable to KPMG for services rendered in respect of the year ended 31 December 2022 is as follows:

	2022 RMB'000
Annual audit and interim review services	**5,800**
Other audit services	**–**
Total	**5,800**

RISK MANAGEMENT AND INTERNAL CONTROLS

In the course of conducting our business, we are exposed to various type of risks, including business risks, financial risks, compliance risks and operation and other risks. The Company improves its business and operational activities by identifying the area of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The Board is ultimately responsible for the risk management of the Group and is granted full authority to maintain the soundness and effectiveness of the internal control system and risk management procedures of the Group to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal, ensuring an appropriate maintenance of accounting records and the availability of reliable financial information and ensuring compliance of the operating activities with laws and regulations. The internal control systems are designed to manage rather than eliminate risks of failure to achieve the business objectives of the Group and to only provide reasonable and not absolute assurance against material misstatement or loss.

Objectives of the risk management and internal control implemented by the Company include:

(1) identifying matters that may have potential impacts on the Company;

(2) formulating appropriate control measures for risk management within our risk profile; and

(3) providing reasonable assurance for the Board and the management in achieving its operating objectives.

Procedures used by the Company for identification, assessment and management of significant risks, as well as review of the effectiveness of the risk management and internal control systems include:

– reviewing existing documentation and conducting interviews with management and key business officers of the Company to identify key risks, and keeping records in the internal risk assessment report;

– identifying, consolidating and analyzing existing and potential risks;

– evaluating and formulating tackling measures in response to identified risks;

– implementing testing procedures to confirm the existence of key controls and effectiveness of control in the course of operations;

– identifying possible defects in respects of control designs and exercise of control in the course of key operations; and

– confirming relevant issues and arriving at a modification plan in response to the internal control defects, and following up the implementation.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The Board is responsible for maintaining an adequate internal control system to safeguard shareholders investments and Company assets and reviewing the effectiveness of such through Audit Committee on an annual basis. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations. An annual review of the effectiveness of the system of internal controls of the Group will be conducted.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in an ongoing monitoring of the risk management and internal control systems of the Group. They had communicated with the Company on their findings and recommendations. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the interest of shareholders and the Group's assets.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the period covering all material controls, including financial, operational and compliance as well as risk management. The Board considers that the Group's risk management and internal control, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal control and financial reporting functions, are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

The executive Directors closely monitored the Group's business and corporate developments and events so that potential inside information would be identified promptly. The Company regulates the handling and dissemination of inside information by restricting access to inside information to a limited number of employees and parties on a need-to-know basis. Employees who are in possession of inside information are conversant with their obligations to preserve confidentiality. External parties, such as financial printer, are required to sign confidentiality agreement or non-disclosure agreement. Inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Inside information shall be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the press or posting on the Company's website. In respect of the year ended 31 December 2022, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified.

DIRECTORS AND OFFICERS INSURANCE

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group since the Listing Date.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including independent non-executive Directors), senior management and external auditors shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 21 clear days' notice of the date, venue and agenda of such meetings and a minimum of 14 clear days' notice of the date, venue and agenda for all other general meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the Stock Exchange.

In accordance with the Articles, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Company Secretary to convene extraordinary general meetings and put forward proposals at such meetings of which not less than 21 days' notice has been duly given. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company in the PRC at No. 2101, Unit 1, Block 23, Zone G, Solana 2, Erdao District, Changchun, Jilin Province, the PRC.

If a shareholder wishes to nominate a person to stand for election as a Director at a general meeting, the relevant documents must be validly served on the Company's Hong Kong branch share registrar and transfer office or principal place of business in PRC within the requisite period of time. The full details of the procedures for Shareholders to propose a person for election as a Director were posted on the website of the Company at www.united-strength.com.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all executive Directors, non-executive Director, independent non-executive Directors, and the chairman of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Board adopted a shareholders' communication policy on 21 September 2017 to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The annual general meeting of 2022 ("**2022 AGM**") was held on 10 June 2022. The notice of the 2022 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2022 AGM.

The extraordinary general meeting of 2022 ("**2022 EGM**") was held on 19 December 2022. The notice of 2022 EGM was sent to the shareholders of the Company at least 10 clear business days before 2022 EGM.

The attendance record of the directors at the general meeting is set out below:

Directors	Attendance/ Number of general meetings
Mr. Zhao Jinmin	0/2
Mr. Liu Yingwu	0/2
Mr. Ma Haidong	0/2
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)	1/1
Mr. Yuan Limin (resigned with effect from 27 July 2022)	1/1
Mr. Xu Huilin	0/2
Ms. Su Dan	0/2
Mr. Lau Ying Kit	2/2
Mr. Zhang Zhifeng	0/2

To promote effective communication, the Company maintains a website at http://www.united-strength.com, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Group believes that investor relations are important to a listed company to enhance its transparency and corporate governance. During the year, the executive Directors and senior management of the Group have maintained sound communications with the investment community by actively participating in various investor-related activities and meetings. On these occasions, the Group's investor relations representatives introduced the Group's strengths and growth strategies in order to gain support and recognition from the market and investors. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong headquarters or sending enquiries to the Company's website at www.united-strength.com.

CONSTITUTIONAL DOCUMENTS

The amended and restated Articles of Association of the Company (the "**M&A**") was adopted on 19 December 2022 for the purpose of, among others, (i) bringing the M&A in line with amendments made to the Listing Rules and the applicable law and procedures in the Cayman Islands; (ii) allowing general meetings to be held as an electronic meeting or as a hybrid meeting; and (iii) making certain minor housekeeping amendments to the M&A for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the M&A. An updated version of the Company's M&A is available on the websites of the Company and the HKEx.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

During 2022, Mr. Lo Wai Kit, the Company Secretary, had attended no less than 15 hours of relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

I. PREAMBLE

Energy is an important pillar of national economic and social development as a necessity of human life. In recent years, all parts of the world are actively phasing out fossil fuels and searching for solutions switching towards green and low-carbon energy in order to mitigate climate change. Meanwhile, clean energy is rapidly turning into an important component of the energy supply system of the People's Republic of China ("**China**"), and its widespread use is crucial to improving various aspects, including the energy structure, protecting the ecological environment, addressing climate change, and achieving sustainable economic and social development. The "Energy Production and Consumption Transition Strategy" (《能源生產和消費革命戰略》) issued by the National Development and Reform Commission and the National Energy Administration clearly pointed out that China's newly added energy demand will mainly be supported by clean energy by 2030. This means that China has vigorously promoted the popularisation of low-carbon energy, and accelerated the deployment of a low-carbon circular economic system that adheres to the green development orientation. In the course of striving to achieve the goal of "carbon neutrality", along with opportunities and challenges, a high expectation has been posed on China's clean energy industry in achieving leapfrog development and making positive contributions to international cooperation in addressing climate change and environmental issues.

Natural gas, which is an economical and environmentally friendly green energy and chemical raw material, has gradually replaced coal as the main fuel widely used in the world. In accordance with the "Outline of the 14th Five-Year Plan for National Economic and Social Development and Vision 2035 of the People's Republic of China" (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), natural gas plays a crucial role in the promotion of "Emission Peak" (「碳達峰」) and "Carbon Neutrality" (「碳中和」) as the most low-carbon and clean fuel among fossil fuels. As one of the fast-growing and leading operators of gas and petroleum refuelling and energy transportation in China, United Strength Power Holdings Limited and its subsidiaries (the "**Group**") is principally engaged in natural gas sales and transportation services.

As an enterprise that treats energy green transformation as its development policy, the Group understands that building a safe, reliable, flexible, and resilient supply chain and operating system favours the natural gas industry to develop orderly, thus are indispensable for achieving the "dual carbon" goals and "Beautiful China". Adhering to the principle of accelerating the development of "Gasification of Jilin", the Group is committed to incorporating the concepts and values of sustainable development into its long-term business strategy. While pursuing economic returns, the Group regards the environmental and social development and corporate governance in where it operates as an integral part of its high-quality business development. Since its establishment, the Group has kept its pace with the trend and has continued to deepen its understanding and implement environmental, social governance ("**ESG**") policies and concepts, actively study cases, and aim at the best ESG practices around the globe and in the industry. As such, the Group keeps improving the management process of relevant projects, building a standardised ESG data management system, and actively exploring the realisation of sustainable development at the enterprise and value chain levels as guided by the national and local policy requirements.

In 2022, the world gradually emerges from the haze of the COVID-19 Pandemic (the "**pandemic**"), and China has also pathed its way towards normalcy at the end of the year. Daily activities are becoming more frequent, and the domestic economy is recovering while maintaining a steady growth momentum. In order to thoroughly implement various policies and measures after the announcement of the relaxation of pandemic restrictions, the Group will continue to pay attention to the health and safety of its employees and customers, and ensure that the industry is able to meet the energy needs under today's technology-dominated era. Meanwhile, the Group aims to take the lead in the industry's sustainable development in the aspects of talents recruitment, employee management, product and service innovation, and practising social responsibility.

As China has achieved its first "Centenary Goal" earlier, it is now moving towards its second "Centenary Goal". In early 2023, the State Council released a white paper titled "China's Green Development in the New Era" (《新時代的中國綠色發展》), which clearly states that "China has established resource conservation and environmental protection as its fundamental national policy, implemented sustainable development as the nation's strategy, and vigorously promoted the construction of socialist ecological civilisation.", thus put forward the policy of promoting national green development. In line with the nation's development direction, the Group has always incorporated sustainable development into its development philosophy, and regarded "Environmental Friendliness", "Inclusive Growth" and "Corporate Social Responsibility" as the core content for attaining its corporate value and business mission. Looking ahead, the Group will further formulate and implement a forward-looking and systematic ESG strategy to create long-term value for all its stakeholders.

II. ABOUT THE REPORT

In strict compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**"), the Group is pleased to present the ESG Report for the year ended 31 December 2022 ("**FY2022**"), which demonstrates the Group's approach and performance in terms of ESG management and corporate sustainable development for FY2022.

Boundary Setting

This ESG report defines the boundary of information disclosure with operational control approach. The disclosure of this ESG report covers the Group's major business operations, including the sale of refined oil and natural gas by operating gas refuelling stations and storage facilities, the wholesale of refined oil, and the provision of transportation of petroleum and natural gas services. The Group identifies and evaluates the entities the Group processes under normal operation in FY2022, and incorporates entities including 21 gas refuelling stations, 68 petroleum refuelling stations and transportation businesses in Northeast China, into the boundary of this ESG report.

Reporting Principles

The reporting principles serves as the foundation of the preparation of the ESG report. The major ESG performance of the Group in FY2022 has been determined and disclosed under the principles of Materiality, Quantitative, Balance and Consistency in this ESG Report.

Materiality

The application of the Materiality principle is one of the cores for the Group to effectively identify key ESG issues, and reasonably allocate manpower and resources to manage and control related ESG risks. During the year under review, the Group conducted an annual materiality assessment with its key stakeholders using online surveys to identify material ESG issues that may impact the Group in the long term. For more information, please refer to sections **Stakeholder Engagement** and **Materiality Assessment**.

Another application of the Group's Materiality principle is reflected in the Group's data management of ESG report disclosure. In order to reflect the Group's ESG performance in a clear and focused manner, the Group effectively classifies, manages, supervises and collects data on the ESG performance of all entities within its operating scope to ensure accountability.

Quantitative

The calculation and disclosure of environmental and social key performance indicators ("**KPIs**") reflect the use of the Quantitative principle. Calculation methods, assumptions and conversion factors are clearly listed in the footnotes of the performance tables.

Balance

The Group follows the Balance principle in the disclosure of its ESG performance to ensure that true and effective ESG information is conveyed to its stakeholders. The Group fully assesses the material ESG risks it faces, and discloses information in an unbiased manner based on the assessment results, in order to truly reflect the Group's sustainable development performance during the year under review to the readers.

Consistency

The Group adopts the same reporting framework and data calculation method to allow meaningful comparison. Explanation on significant differences from the previous reporting framework will be made correspondingly.

Information Disclosure

The information disclosed in this ESG report was gathered through numerous channels, including internal policies and data of the Group, the feedback of the implementation of ESG practices in the Group, stakeholder surveys, and online surveys for the collection of the relevant information about the practices of the Group in sustainability. A complete content index is available at the end of the ESG report for readers' convenience to check its integrity. This report was compiled in both English and Chinese, and is published together with the Annual Report on the Group's website www.united-strength.com.

III. SUSTAINABILITY MANAGEMENT

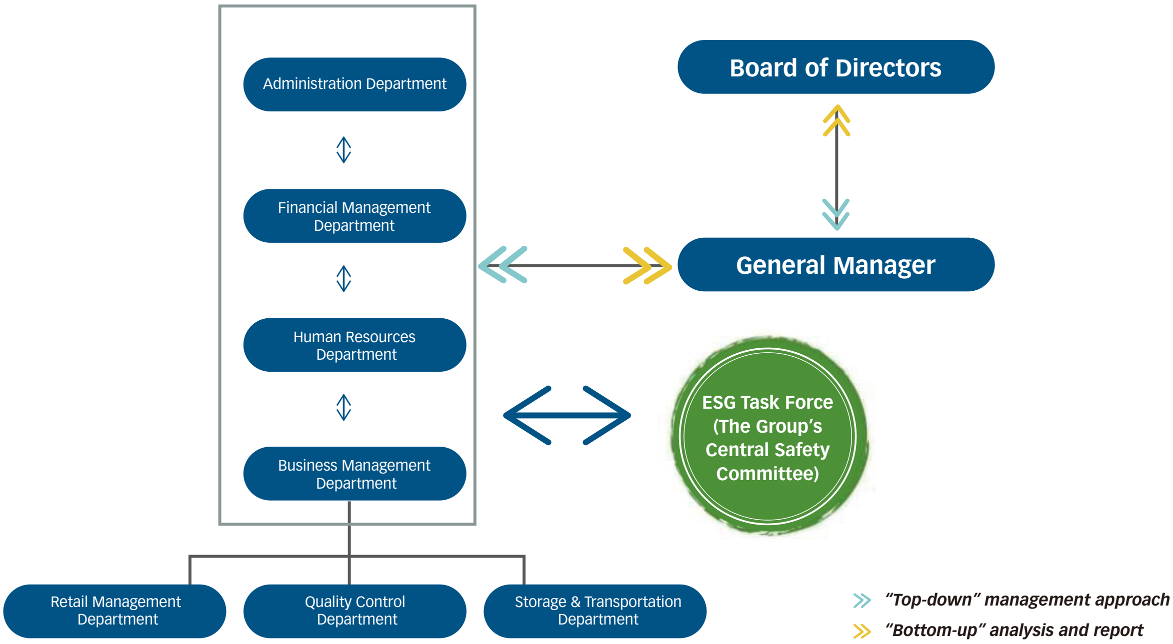
The Group has been continuously improving its corporate management structure and integrates the concept of sustainable operation and management model into its sound risk management system, striving to integrate the implementation and development of ESG strategies in line with the Group's business development vision under the current governance structure. Since its establishment, the Group has been advocating and pursuing the concept of responsible development, earnestly fulfilling its commitments to stakeholders, refining product and service quality with ingenuity, and making good use of innovative technology and advanced operating procedures. The Group adopts a "top-down" management strategy in its sustainable development governance, in which the Board of Directors (the "**Board**") is responsible for overseeing the implementation of ESG-related matters, thus ensuring the barrier-free communication between the management and employees of the Group, encouraging subsidiaries and employees to thoroughly carry out the nation's strategic deployment for sustainable development of the energy industry, and effectively implement internal sustainable development policies within the enterprise.

The Group has established the Central Safety Committee, which consists of the company's president, vice president, and managers from various business department. The Central Safety Committee is mainly responsible for:

- Formulate guidelines, policies, principles and objectives for the Group's material issues;
- Coordinate the Group's internal ESG management and daily communication with external sustainability consultants and other key stakeholders;

- Identify and summarise the implementation of ESG policies and activities of each subsidiary of the Group;
- Report and communicate with the Board on the implementation and feedback of the Group's sustainable development policy;
- Review the ESG performance of the Group, and determine the direction and strategy for improvement;
- Supervise the directly affiliated organisations to undertake and implement safety, health and environmental protection responsibilities;
- Assess the performance of subcommittees and facilitate them to perform their due functions;
- Establish a thorough ESG organisation and safety mechanism;
- Review ESG management procedures;
- Study and review major ESG management issues such as safety and environmental protection;
- Maintain a keen sense of ESG regulations and ensure the compliance of the Group's operations; and
- Summarise and learn the cutting-edge knowledge of ESG development, and convey excellent ESG management methods and practical experience to the whole Group.

The Central Safety Committee and the management regularly provide advice and up-to-date information on ESG to the Board through briefing sessions or written submissions. The Central Safety Committee reviews and assesses the Group's ESG-related performance and achievements twice a year, then categorises, ranks, and prioritises the results reviewed, thus puts forward suggestions for improvement, so as to lay a foundation for target management and strategy direction. The assessment results will be delivered to the Board in the form of reports. Based on the consolidation of the feedback from the management, Central Safety Committee and external expert group, the Board identifies and forecasts on major ESG risks through interviewing expertise, and evaluate potential impacts that the risks could bring to the Group based on past data and current situation. The Board puts forward opinions and implementation plan on the identified major ESG issues and related risks, and monitors the progress of policy implementation and effectiveness of risk management in a timely manner through management tracking and reporting on the performance of all business levels under the relevant KPIs. For instance, in response to the reform of the Group's business model and optimise the safety management mechanism, the Board attaches great importance to safety work practices by issuing "Implementation Plans for Optimising Safety Management in the Marketing Section of Changchun Zhongcheng Investment Development Group", which clearly states the responsibility and the performance review process of each department, in order to achieve effective tracking of the improvement of the Group's safety management level.



The Group has always adhered to the sustainable development management policy of "Safety, Effective Prevention, Health Protection, Environmental Improvement, People-Oriented, Sustainable Development", and by establishing targets and its metrics management system, the Group sets appropriate goals and indicators in realms of operational safety and service quality at the beginning of each year. The well-established goals are refined, planned, and implemented in a "top-down" manner from the top management to achieve effective supervision and regular reviews. In the future, the Group is committed to further improving the sustainable management system in key areas by strengthening business cooperation.

Board responsibility

The Group is well aware that the Board is responsible for monitoring and ensuring that the Group develops in a sustainable manner, and has the adaptability to cope with various risks. As the main risk regulator and the guardian of the long-term value of the enterprise, the Board has a common responsibility to supervise and ensure that the Group focuses on ESG concepts, thus fully integrates the principles of sustainable development with the Group's long-term development strategy. The Board also performs their duties and responsibilities in the following aspects:

- Supervise the Group's environmental and social impact assessment, and monitor the identified key ESG risks;
- Understand the short-term, medium, and long-term impact from changes of ESG policies on the Group's business;
- Understand and confirm the results of the Group's ESG materiality assessment, and ensure an effective execution of ESG information reporting; and
- Facilitate a "top-down" culture of sustainable development to ensure that the considerations of ESG are incorporated into business development and decision-making processes.

IV. STAKEHOLDER ENGAGEMENT

Effective stakeholder involvement is an integral part of the Group's sustainable development strategy. The Group maintains effective and close contact with its important stakeholders through various channels to ensure that the Group stays updated with the dynamics and emerging risks and opportunities of the markets, thus adapts to the ever-changing environment to improve its business operations.

Over the years, the Group has maintained long-term and stable communication with its stakeholders through the following channels, and regularly reviews and adjusts its ESG management policies to meet the needs of stakeholders.

Types of Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	• Compliance with laws and regulation in operations • Anti-corruption policies • Occupational health and safety • Strengthen the implementation of emergency management • Give full play to the leading role in the industry and guide the industry towards sustainable development • Establish a sound corporate operating mechanism and a long-term plan for sustainability development	• Supervision on the compliance with local laws and regulations • Regular reports and tax payments • Response to policy documents issued by the government
Shareholders	• Returns on investment • Corporate governance • Business compliance • The Group maintains the corporate culture and operation concept of "Full Safety, Prevention First, Health Protection, Environmental Improvement, People-Oriented, Sustainable Development"	• Regular corporate reports and announcements • General meetings • Official website of the Group
Employees	• Employees' remuneration and benefits • Career path and training scheme • Healthy and safe workplace • Better serve the society and provide employment and learning opportunity for the unemployed • Further optimise the efficient operation of the management system	• Employees' performance appraisals • Regular meetings and training • Emails, notices, hotline, and team-building activities with the management
Customers	• Price and quality assurance • Product safety and risk control • Strengthen actions to protect environment	• Customer satisfaction surveys • Face-to-face meetings and onsite visits • Customer service hotline and emails

Types of Stakeholders	Expectations and Concerns	Communication Channels
Suppliers	• Fair and open procurement • Win-win cooperation with upstream and downstream partners • Supply chain risk management	• Open tender • Suppliers' satisfaction surveys • Telephone discussions • Face-to-face meetings and onsite visits • Industry seminars
Professional organisation	• Improve sustainable development system • Fulfil environmental and social responsibilities	• Telephone discussions • Online surveys • Meetings (informal or annual general meetings)
Media	• Cater to the trend of national energy development, open up the market and utilization for new energy • Protect rights and interests of employees • Protect privacy and right of customers • Support environmental protection and public welfare of the local community	• Press conferences • Social media platforms
General public	• Engagement in community activities • Business compliance • Conform to business ethics • Environmental protection awareness • Attach importance on cyber security and systematic risks prevention	• Media conferences and response to enquiries • Public welfare activities • Face-to-face interviews

Materiality Assessment

The Group has always regarded the principle of materiality as the basis of its ESG management, and conducts an annual review to determine the main concerns and major interests of its stakeholders on ESG matters. In FY2022, the Group entrusted an independent third-party organisation and invited its stakeholder representatives to participate in the Group's materiality assessment survey. The Group first selected its internal and external stakeholders based on their influence and degree of dependence on the Group. Selected stakeholders include the management of the Group, general staff from all business segment as well as representatives from suppliers and government agencies, who expressed their views on a universe of relevant corporate ESG management and related issues through online questionnaires. In particular, the questions covered topics including environmental impacts, employment and labour practices, operating practices, community investment, and leadership and governance.

1	Greenhouse gas ("**GHG**") emissions	15	Product/service quality and safety
2	Energy management	16	Customer privacy and data security
3	Water & wastewater management	17	Marketing and promotion
4	Solid waste stewardship	18	Intellectual property rights
5	Climate change mitigation & adaptation	19	Labelling relating to products/services
6	Renewable and clean energy	20	Business ethics & anti-corruption
7	Labour practices	21	Internal grievance mechanism
8	Employee remuneration and benefits	22	Participation in philanthropy
9	Occupational health and safety	23	Cultivation of local employment
10	Employee development and training	24	Support of local economic development
11	Green procurement	25	Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
12	Engagement with suppliers	26	Management of the legal & regulatory environment (regulation-compliance management)
13	Environmental and social risk management of supply chain	27	Critical incident risk responsiveness
14	Supply chain resilience	28	Systemic risk management (e.g. Financial crisis)

By integrating the results, the Group has formulated a materiality matrix as shown below.

Stakeholder Engagement Materiality Matrix

Through the materiality assessment, the Group has identified "Energy Management", "Water and Wastewater Management", "Solid Waste Stewardship" and "Systemic Risk Management (e.g. Financial Crisis)" as its most material ESG issues. The results have been reviewed and endorsed by the Board. Meanwhile, other material issues will also be discussed in various sections in this ESG Report.

Sustainable Development Goals

In order to stay aligned with the sustainable development trend of global initiatives, the Group has actively communicated with its stakeholders, investigated and analysed on their concerned United Nation Sustainable Development Goals ("**SDGs**"). Through constructing and realising the goals, the Group aims to work towards achieving the plan, thus responding to the call of United Nations for actions on no poverty, environmental protection, and ensuring peace and prosperity for all.

The Group has selected Goal 3, Goal 4, Goal 7 and Goal 17 as the key concerns in the progress of the Group's sustainability development, and as the cornerstone of the realisation of the Group's corporate vision.

- Goal 3: Good health and well-being – "Ensure healthy lives and promote well-being for all at all ages."
- Goal 4: Quality education – "Receiving high-quality education is the foundation of improving people's lives and achieving sustainable development."
- Goal 7: Affordable and clean energy – "Ensure universal access to affordable, reliable and modern energy."
- Goal 17: Partnership for the goals – "Strengthen the means of implementation and revitalise the global partnership for sustainable development."

Striving to respond to and address the concerns of stakeholders on achieving SDGs, and to benchmark the global SDGs and best practices, the Group has or committed to contributing to global sustainable development in the following areas under the guidance and supervision of the Board.

Key SDGs	Corporate Actions Directions and Targets	Corporate Policies, Activities and Advocated Development
3 GOOD HEALTH AND WELL-BEING	• With the goal of practising "zero-accident" principle in establishing a strong culture of safety within the Group • Regulate all members of the Group to take the policies as the guide to actively identify, evaluate, reduce, and control occupational health and safety-related hazards and risks in the operation process, and keep improving and effectively implementing the policy • In response to the national call to loosen pandemic controls, the Group coordinates the deployment to promote economic and social development	• Implement policies such as "Safety Management Red Lines", "Hazardous Waste Management Procedures", "Implementation Plans for Optimizing Safety Management in the Marketing Section", "Implementation Plan for Pandemic Prevention and Control", and "Occupational Health Management System" • Incorporate the occupational disease-related knowledge in the annual plans of units at all levels, and train the employees according to the plans • Safety and Environment Department is responsible for conducting regular inspections, following up the implementation of occupational health and safety policies within the Group, and supervising rectifications
4 QUALITY EDUCATION	• Based on the principle of "Consolidating Corporate Culture, Being Customer-Oriented, Improving Professional Quality, Enhancing Core Competitiveness of Corporate Talents", the Group has established a training and development centre, and set up an online training platform, thus full-time and part-time lecturing mechanism • Promote sustainable development policy and cultivate the innovative and "green" development thinking throughout the Group by providing trainings	• Established a training centre and an online training platform • Improve and implement internal training policies, such as "Training Management Program", to standardise corporate training • Launched diversified training courses throughout the year, topics include "Principle of Customer Reception and Complaint Handling", "Training on Fire-related Knowledge (including the use and management of fire-fight equipment)", "Investigation and Remediation System of Potential Accident of Safety Production", "Refuelling Operation Procedures Training", and "Safety Code for Electrical Explosion Protection in Hazardous Places"

Key SDGs	Corporate Actions Directions and Targets	Corporate Policies, Activities and Advocated Development
7 AFFORDABLE AND CLEAN ENERGY	• Strive to improve the corporate energy efficiency through scientific and technological innovations, business development and process standardisation, while actively explore the wide application of renewable energy	• Encourage the installation and use of solar panels in suitable areas • Set energy-saving and emission-reduction targets and develop detailed plans to establish implementation schedule • Continue to improve the data tracking system to make the tracking of energy use and intensity information more transparent
17 PARTNERSHIPS FOR THE GOALS	• Strengthen collaboration with business partners in the field of sustainable development and product/service innovation through knowledge sharing and technical cooperation • Utilise its strength as the leader in the industry to coordinate resources and initiate more innovative projects that are beneficial to environmental, ecological, and social development	• Through internal and external cooperation with multiple parties, the Group initiated and has implemented the V20 project of ground-tank handover, achieved automatic data extraction and information control of oil import, sales, and storage operations • During the year under review, the non-inductive payment function has been successfully launched in two gas stations, and is planned to be implemented in all gas stations in a short period of time

Stakeholder Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback on the improvement of corporate ESG approach and performance, especially under the topics that are of the most material as listed in the materiality assessment. Readers are also welcomed to share their views about ESG matters with the Group via the Group's email info@united-strength.com.

V. ENVIRONMENTAL SUSTAINABILITY

In order to solve the problems of resources, environment and ecology in China, thus establishing a sound green and low-carbon circular development economic system along with promoting comprehensive green transformation are the Group's basic strategies. The State Council issued the white paper titled "China's Green Development in the New Era" at the beginning of the year, advocating the sustainable development of the Chinese, and implementing policies including "Promoting Traditional Industries to Pursue Green Transformation", "Advocating Green and Low-carbon Energy Development", "Develop Green Transportation System" and "Promote Resource Saving" to promote the country's green development. In line with the country's development direction and the pursuit of the long-term sustainable development of the environment and communities where the Group operates, the Group is committed to strictly controlling its emissions and managing resource consumption, and complying with relevant environmental laws and regulations in its daily operations, including but not limited to:

- Environmental Protection Law of the People's Republic of China;
- Environmental Impact Assessment Law of the People's Republic of China;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste;
- Energy Conservation Law of the People's Republic of China;
- Regulations of Jilin Province on Ecological Environment Protection; and
- Measures for the Administration of Hazardous Waste Transfer Forms.

This section primarily discloses the Group's policies, practices and quantitative data on emissions, use of resources, the environment and natural resources, and climate change in FY2022.

A.1 Emissions

In FY2022, the Group's major emissions include air and GHG emissions, non-hazardous solid waste and wastewater, without generating any hazardous waste. The Group was not in violation of any laws and regulations in relation to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise, that have a significant impact on the Group during the year under review. Adhering to the developmental concept of "innovation, coordination, greenness, openness, and sharing", the Group has formulated management guidelines to improve energy efficiency, and is constantly exploring the adoption of a low-emission operating model to reduce the Group's impacts on the environment during its operations.

Given the nature of its operations, the Group's air emissions including sulphur oxides ("**SO_x**"), nitrogen oxides ("**NO_x**") and particulate matter ("**PM**") were mainly generated from the logistics vehicles during transportation. Meanwhile, GHG emissions were mainly emitted from the burning of fossil fuels during fleet operation and electricity consumption in the offices. Table 1 below summarises the Group's total emissions in FY2022.

A specific department of the Group is responsible for managing the potential environmental risks generated in its daily operation. In particular, the Safety and Environment Department is responsible for ensuring that the operation activities of the business of refuelling stations comply with the local environmental requirements, as well as formulating and implementing internal policies, including the "Hazardous Waste Management Procedures", to effectively manage all kinds of green facilities, while engaging qualified third-party professional organisations to manage, recycle and dispose the hazardous waste. Meanwhile, the transportation business segment of the Group established the Storage and Logistics Department to formulate and implement logistics safety and environmental protection requirements in accordance with national laws and regulations. The Storage and Logistics Department strictly manages the transportation vehicles of its fleet in order to ensure them have met the national environmental requirements on emissions, and refuels them with oil products and other clean energy that meet the environmental protection standards.

Table 1 – The Group's Total Emissions by Category in FY2022 and FY2021[8]

Emission Category	KPI	Unit	Amount in FY2022	Intensity (Unit/ employee) in FY2022[1]	Intensity (Unit/ employee) in FY2021[2]
Air Emissions[3]	SO_x	kg	84.6	0.05	0.04
	NO_x	kg	81,626.0	50.39	44.65
	PM	kg	6,086.3	3.76	3.66
GHG Emissions	Scope 1[4] (Direct Emissions)	Tonnes of CO_2e	14,523.1	9.0	7.3
	Scope 2[5] (Energy Indirect Emissions)	Tonnes of CO_2e	3,822.1	2.4	3.1
	Scope 3[6] (Other Indirect Emissions)	Tonnes of CO_2e	19.3	1.2×10^{-2}	1.8×10^{-2}
	Total(Scope 1, 2 & 3)	Tonnes of CO_2e	18,364.6	11.3	10.5
Non-hazardous Waste	Solid Waste	Tonnes	170.1	0.1	0.4
	Wastewater[7]	Tonnes	10,404.0	6.4	6.6

1. *Intensity of FY2022 was calculated by dividing the amount of air, GHG and other emissions by the number of employees of the Group in FY2022 which was 1,620;*

2. *Intensity of FY2021 was obtained from the "Environmental, Social and Governance" section in the Group's 2021 Annual Report;*

3. *Air emissions included only the air pollutants generated from burning coal, exhaust gas from the daily operations of the transportation fleet and vehicles for business affairs, and from the operations of generators in oil depot in FY2022;*

4. *The Group's Scope 1 (Direct Emissions) included only the consumption of fossil fuels in motor vehicles for transportation and from the use of generators in oil depot, and burning of coal;*

5. *The Group's Scope 2 (Energy Indirect Emissions) included only the emissions from electricity consumption;*

6. *The Group's Scope 3 (Other Indirect Emissions) included only the emissions from paper waste disposed of at landfills, and electricity used for processing fresh water and sewage by government departments;*

7. *Since the wastewater generated from the Group only covered domestic and commercial sewage, the total amount of wastewater discharged from the Group was based on the assumption that 100% of the consumed fresh water entered the municipal drainage system; and*

8. *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by SEHK, the IPCC Emission Factor Database, EMEP/EEA Air Pollution Emission Inventory Guidebook 2019 and Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide.*

Air Emissions

The air emissions generated by the Group mainly came from the exhaust gas from the transportation fleet and the small amount of gas leakage during the gas refuelling process. In FY2022, the Group mainly used diesel and gasoline as vehicle fuels. In response to the national call for energy conservation and emission reduction, the Group implemented various policies and measures to further encourage its employees to use clean energy as vehicle fuels while exploring the possibility of utilising new energy vehicles, in order to minimise its air emissions. The Group has actively adopted innovative technologies to purify automobile exhaust, such as applying diesel exhaust fluid to reduce NO_X in exhaust gas. Meanwhile, the Group strictly manages its logistics fleet and performs periodic maintenance of vehicles to ensure the efficient operations. For instance, the Group monitors and controls the fuel consumption of each vehicle, and has formulated a reward and punishment mechanism to encourage drivers to save fuels. Besides, the refined oil and natural gas are volatile substances in the logistics and transportation process. To eliminate the pollution caused by substances volatilisation, a designated vehicle, which is equipped with sealing valves and gas recovery devices that comply with relevant standards, will be selected for transporting corresponding products in the process of procurement. In accordance with national standards, the Group requires its vehicles to undergo regular inspections as well. For the operation of gas refuelling stations, the Group requires its employees to operate in accordance with operating procedures to avoid volatilisation and leakage of gas.

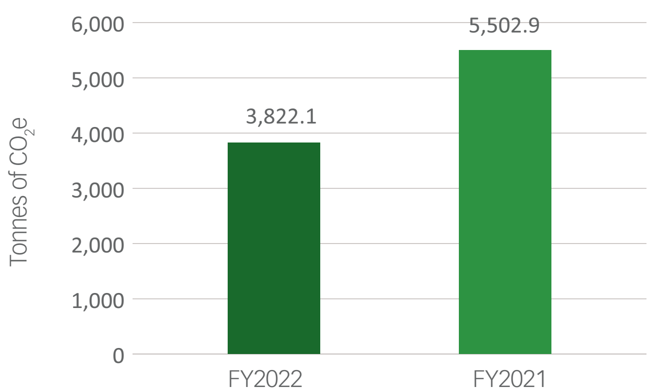
In FY2022, the Group's overall air emission intensity remained similar to the figure in FY2021.

GHG Emission

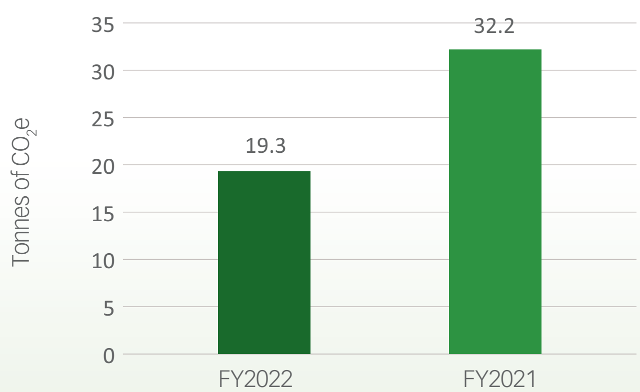
At the 75th session of the United Nations General Assembly held in 2020, China proposed the emission reduction target of achieving carbon neutrality by 2060, which is highly in line with the requirements of the "Paris Agreement", thus reflecting the country's contribution to mitigate climate change. In 2022, the State Council issued the "Action Plan for Carbon Dioxide Peaking Before 2030", requiring enterprises to play a supporting and leading role in scientific and technological innovation, improve the system and mechanism of scientific and technological innovation, strengthen innovation capabilities, and accelerate the green and low-carbon technological revolution. As an advocate of low-carbon economy, the Group actively promotes the green technology applications internally, and collaborates with external experts to perform statistical analysis and strict management of GHG emissions generated during operations. In FY2022, the Group's GHG emissions mainly came from the purchase of electricity and the use of automobiles. Since its establishment, the Group has focused and made progress on improving its power usage efficiency and optimising its transportation fleet management system. In order to minimise GHG emissions more effectively at the source, the Group formulated and implemented relevant internal policies, which will be introduced in later subsections headed "**Electricity**" and "**Other Energy Resources**".

In FY2022, despite the Group's total GHG emissions slightly rose for 8% when compared to FY2021, it is worth noting that its Scope 2 and Scope 3 emissions descended for 24% and 35% respectively, which fully demonstrates the Group's determination to save energy and reduce emissions.

The Group's Scope 2 GHG Emission in FY2022 and FY2021



The Group's Scope 3 GHG Emission in FY2022 and FY2021

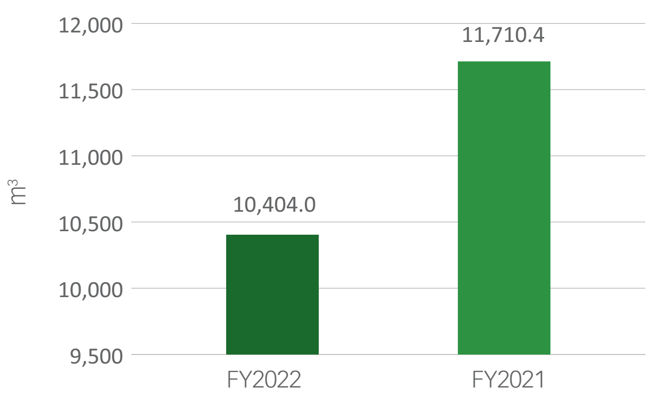


Wastewater

The wastewater discharged by the Group in FY2022 was mainly domestic and commercial wastewater which abided by the relevant national standards. The Group fully implements the concept of "Circular Economy" by advocating water conservation, recycling and reuse of wastewater. The wastewater was either discharged to the anti-seepage tank and regularly extracted as fertilisers, or directly discharged into the municipal drainage system. Meanwhile, the Group has formulated guideline related to water and electricity management in order to enhance the awareness of water conservation within the organisation.

In FY2022, the Group's wastewater intensity slightly decreased for 3%, and its total discharge reduced for 11%. The Group understands the amount of wastewater highly depends on the amount of freshwater used, thus specific measures have been taken to reduce the water consumption during operations. Details will be described in the subsection headed "**Water**".

The Group's Wastewater Discharge in FY2022 and FY2021



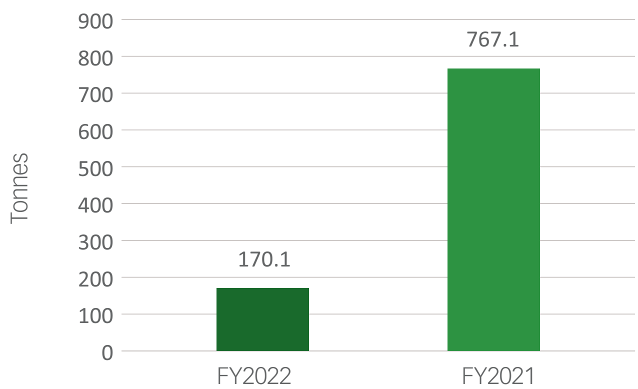
Solid Waste and Others

The solid waste of disposed by the Group was non-hazardous waste, which was mainly domestic and commercial solid waste, and waste packaging materials during the operations of convenience stores at gas refuelling stations. To manage waste more effectively, the Group adopted a series of measures, such as waste classification followed by the collection and disposal by government departments. The Group's transportation business has adopted a sustainable and intelligent development direction, and actively promoted green and circular operations. For example, the Group encourages waste reduction at source and the recycling of packaging and oil drums. Meanwhile, the Group actively responds to the national advocate, the "Clear Plate" campaign, by fostering a "Reduce Food Waste" culture and encourages its employees to reduce food waste. The Group has formulated and implemented the "Hazardous Waste Management Procedures" to manage the waste mineral oil generated by tank cleaning operations in the oil depot, and engaged qualified third-parties to transfer and dispose of the wastes in accordance with the national "Measures for the Administration of Hazardous Waste Transfer Forms".

The Group's transportation business division produces waste components, engine oil and other wastes during the daily maintenance of its fleets. The Group has formulated management requirements, along with allocating storage sites, arranging special personnel to manage the waste components, and contacting professional recycling units to handle the waste to achieve waste reusing. Meanwhile, the Group requires its employees to strengthen the daily maintenance of transport vehicles, striving to lower the possibility of vehicle damage, frequency of component replacements, thus the amount of waste generated.

In FY2022, the amount of waste generated by the Group dropped significantly for 78%, demonstrating its determination to stick to the sustainable and intelligent development direction and promote waste reduction at the source.

The Group's Solid Waste Disposal in FY2022 and FY2021



A.2 Use of Resources

In FY2022, the primary resources consumed by the Group were electricity, diesel, gasoline, coal, natural gas, water and paper. The Group paid great attention to the selection and classification of product containers. For instance, Liquefied Natural Gas ("**LNG**") is filled in LNG storage tank; Compressed Natural Gas ("**CNG**") is filled in gas storage cylinder; and Liquefied Petrol Gas ("**LPG**") is filled in LPG storage tank. Through strict classification and management, the Group ensures that those containers can prevent the leakage of fuels. Meanwhile, in consideration of the air pollution induced by the volatilisation of several oil and gas products, the Group adopts an oil and gas recovery system and carries out inspections regularly to ensure smooth recycling and reusing of the oil and gas. During the year under review, the Group did not consume significant amount of packaging materials, thereby not disclosed in this ESG Report. Table 2 illustrates the amount of different resources consumed by the Group in FY2022.

Table 2 – The Group's Total Resource Consumption in FY2022 and FY2021

Use of Resources	KPI	Unit	Amount in FY2022[1]	Intensity (Unit/employee) in FY2022[2]	Intensity (Unit/employee) in FY2021[3]
Energy	Electricity	'000 kWh	6,578.6	4.1	5.1
	Diesel	L	5,224,484.7	3,225.0	2,715.0
	Gasoline	L	35,556.5	21.9	25.0
	Coal[4]	Tonnes	100	0.06	–
	Natural Gas[4]	m^3	19,130.6	11.8	–
	Total	GJ	63,630.8	39.3	34.4
Water	Water	m^3	23,759.8	14.7	8.2
Other	Paper	kg	2,954.5	1.8	2.5

1. *The resource consumption in FY2022 included that from the operations of the Group's offices, 21 gas refuelling stations, 68 petroleum refuelling stations and transportation fleet;*

2. *Intensity of FY2022 was calculated by dividing the resources consumed by the Group in FY2022 by the number of employees as of 31 December 2022 in FY2022, which was 1,620;*

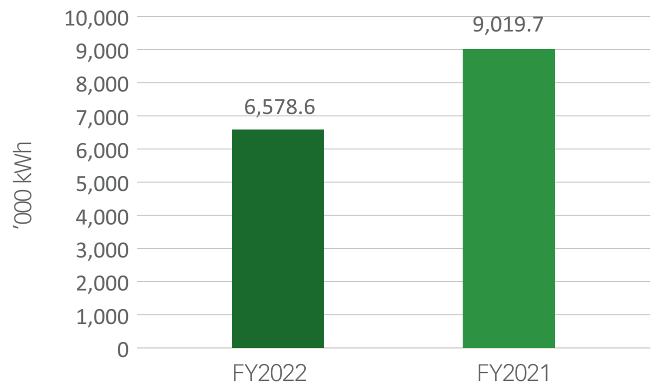
3. *Intensity of FY2021 was obtained from the "Environmental, Social and Governance" section in the Group's 2021 Annual Report; and*

4. *The consumption of coal and natural gas were newly included into the data collection scope in FY2022 as a comprehensive enhancement.*

Electricity

The electricity consumption of the Group mainly came from offices and daily operations of various business divisions, including oil dispensers, gas dispensers and ancillary equipment, etc. All business divisions of the Group complied with relevant laws and regulations and electricity-saving policies. In FY2022, the Group's electricity consumption intensity was 4.1 '000 kWh/employee, which marks a 20% decrease when compared to FY2021. The total electricity consumption also shows a fall of 27%.

The Group's electricity consumption in FY2022 and FY2021



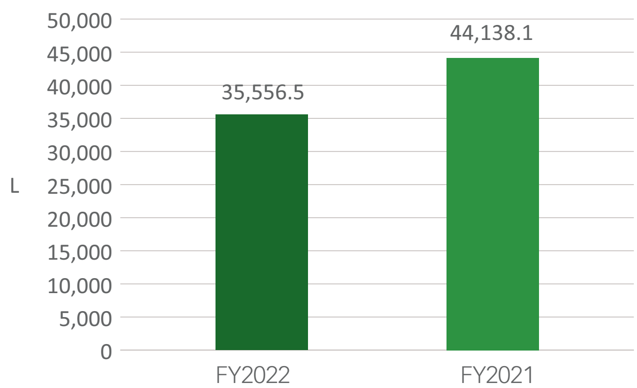
Since controlling electricity consumption while improving energy efficiency is one of the powerful measures for enterprises to cope with climate change, in order to further reduce electricity consumption and lower GHG emissions, the Group has incorporated the slogan of "saving electricity" into its business development strategy and daily operations. In particular, the following measures have been implemented:

- Place "Save electricity, turn off the light when leaving" posters in prominent places to remind employees to conserve energy;
- Maintain electrical appliances (such as air-conditioners and paper shredders) on a regular basis to keep their high efficiency;
- Practise the principles of green procurement in the procurement of energy-related products to improve energy-saving performance;
- Adjust the set temperature of air conditioners (e.g. no lower than 22°C in summer and no higher than 24°C in winter);
- Educate the staff at offices about energy conservation and environmental protection;
- Switch off certain lifts and escalators during non-peak hours;
- Replace energy-consuming lamps or equipment with LED lamps or other energy-saving products;
- Install solar panels where conditions permit, develop, and apply renewable energy; and
- Encourage all employees to open curtains where possible to make the best use of natural light.

Other Energy Resources

The energy resources consumed by the Group in daily operations and vehicle transportation were mainly diesel and gasoline used for business travel and product transportation. The Group has been committed to reducing its dependency on fossil fuels, and vigorously developing natural gas as the main fuel for transportation, while focusing on improving the operating efficiency of its transportation fleet. The Storage and Logistics Department of the Group is responsible for formulating vehicle fuel consumption standards and reviewing vehicle mileage and fuel consumption on a regular basis, so as to regulate fleet operation and reduce unnecessary energy consumption. The Group regulates and supervises the details of energy saving, such as parking and flameout, in order to formulate an effective system for fuel consumption management, including planning and fixing vehicle routes in advance, to control unnecessary consumption of resources during transportation. Meanwhile, the Group requires all units to update and transform coal boilers for managing and effectively controlling coal-fired pollution to improve the atmospheric environment. The Group also encourages employees of all business segments to take public transport or walk instead of driving to work, and to make full use of electronic equipment and technology to conduct online meetings to reduce the frequency of business travels. In FY2022, the Group's gasoline consumption decreased for 19% as a result of the implementation of effective emission reduction measures

The Group's Gasoline Consumption in FY2022 and FY2021



Water

The Group fully implements the spirit of China's "14th Five-Year Plan for the Construction of a Water-saving Society", by focusing on the improvement of utilisation efficiency of water resources and regarding it as one of its long-term development principles. During the year under review, the Group did not face any problems in sourcing water fit for its purpose. The Group's development principle of "Improving Water Utilisation Efficiency, Seeking Sustainable Use of Water" has been implemented in every aspects of operations. For instance, the Group's internal policies control the water used for car washing of logistics vehicles by requiring the use of buckets and brushes instead of washing in running water after vehicle repair, in order to save water. To further improve water utilisation efficiency, the Group also adopted the following measures:

- Fix dripping taps timely and avoid any leakage of the water supply system;
- Put "Saving Water Resource" posters in prominent places to encourage water conservation;

- Strengthen the inspection and maintenance of water taps, water pipelines and other water storage facilities;

- Require employees to strictly follow the policies of water conservation in the Group; and

- Advocate the importance of saving water among employees through internal training and seminars.

Paper

Meanwhile, the Group pays great attention on educating and promoting low-carbon operations and lifestyles, introducing paperless office and office automation, and adopting the following measures to cultivate the good habits of diligence and thrift among employees:

- Send "Think Before Print" reminders to its employees to avoid unnecessary printing;

- Set duplex printing as the default mode of most printers;

- Eliminate single-sided printing unless necessary;

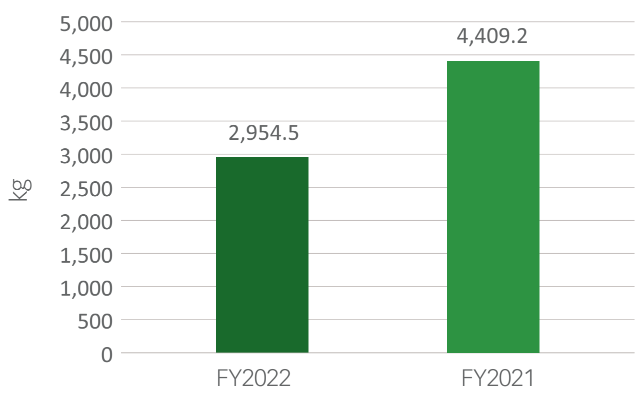
- Collect single-sided paper or wastepaper in boxes or document trays for reuse;

- Encourage employees to use the back of single-sided documents for printing or as draft paper; and

- Encourage customers to use electronic invoices.

During the year under review, the Group's determination and efforts to promote a green office culture was demonstrated by the reduction of paper consumption by 33%.

The Group's paper consumption in FY2022 and FY2021



A.3 The Environment and Natural Resources

Green development is one of the current world development trends and represents the general direction of technological revolution and industrial transformation in the current era. As China establishes the carbon peak, carbon neutral and "1+N" policy system followed by a series of clear goals, enterprises have to accelerate the development of green operating models to help promote the society's firm transition to green and low-carbon operating models, thus achieving "dual carbon" goals and development to demonstrate corporate responsibility. In its operation and development, the Group actively responds to the keynote of "Achieving New Progress in Ecological Civilization Construction "as one of the main objectives of economic and social development during the "14th Five-Year Plan" period, and is committed to adopting a series of effective measures to identify, evaluate and reduce its potential impacts on the environment and natural resources. In view of this, the Group has set up the following targets and actions:

Aspects	Targets	Plans and Action Case Studies
Air Emissions	• Reducing air emissions by 20% in 5 years with FY2020 as the baseline year	• Monitor and update the oil and gas recovery devices, and alternate the coal boilers gradually
GHG Emissions	• Reducing GHG emissions in Scope 1 and Scope 2 by 25% in 10 years with FY2020 as the baseline year	• Conduct gradual reformation on vehicles towards clean energy, accompanying with alterations of coal boilers and initiatives like power conservation to achieve synergy effect on pollution and carbon reduction
Solid Waste Management	• Reducing the amount wastewater, wastepaper and solid waste by 30% in 5 years with FY2019 as the baseline year	• Encourage all business units to economise the use of materials, and advocate waste recycling to reduce waste disposal
	• There are no events impacting the environment caused by waste management during the reporting year	• Strengthen the responsibility system and standardisation on implementing the waste management system to improve the supervision and inspection of daily work
Water Resources	• Control the water intensity at 7.5 m^3/employee by 5 years with FY2020 as the baseline year	• Carry out water-saving education for employees, and promote environmental awareness of all employees through water-saving initiatives and other activities

Aspects	Targets	Plans and Action Case Studies
Energy Efficiency	• Reduce the use of electricity and fossil fuels by 25% by 10 years with FY2020 as the baseline year	• Taking carbon reduction targets as a guide, reform its logistics business segment towards clean energy and new energy vehicles, and actively seek energy-saving opportunities such as boiler alteration and equipment upgrading

During the year under review, the Group continued to assess and reduce its impact of daily operations on the environment, and has been committed to improving the efficiency of resources utilisation in a well-rounded manner.

The logistics business segment of the Group consumes natural resources such as diesel and natural gas, and generates vehicle exhaust. Meanwhile, once vehicle accidents occur and result in oil leakage, it will also cause environmental impacts to a certain extent. In view of the aforementioned impacts, the Group has formulated and implemented vehicle fuel consumption control policies to save energy consumption. Besides, the Group arranged safety education and defensive driving courses for drivers to improve the safety of the transportation process and avoid accidents. The Group has created emergency plans for oil leakage and accident response in order to enhance its emergency response capacity. The Group will continue to optimise the management of its logistics business segment and devote effort to select suitable transporting routes, conduct maintenance, and widely apply clean fuels, so as to minimise its impact on the environment to achieve green transportation.

The main environmental impact of the Group's refuelling station operation is focused on the partial volatilisation of oil and gas products. The Group has adopted an oil and gas recovery system which meets the latest environmental requirements, to effectively control oil and gas volatilisation and reduce its environmental impact.

From the perspective of management, the Group will further improve its environmental performance by setting ESG goals and indicators that link with the management performance, so as to incorporate them into the annual performance appraisal of management at all levels.

A.4 Climate Change

Climate change is now a common challenge faced by the world. China regards addressing climate change as an important starting point to promote the construction of ecological civilisation and achieve high-quality development, and strives to peak carbon dioxide emissions by 2030 followed by achieving the great goal of carbon neutrality by 2060. The Group has responded actively to the national strategies coping with climate change, thus set up a Risk Management Department responsible for assessing the potential climate-related risks and their financial impacts following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Group aims to strengthen the key aspects in risk management and control to ensure a full implementation of "Forecast before risk, Manage the risk, Analyse after the risk". The Group actively analyses and determines the climate-related physical and transition risks, and identifies the following pathways which aims to create a low-carbon and resilient business operation model.

Risk		Potential Impacts
Transition Risk	• Change in customer behaviour • Uncertain market signals • Increase in the cost of raw materials • Rapid development of clean energy and technological innovation	• All of the above risks will have a certain impact on the Group's products/services and supply chain management, which may generate additional operating costs and affect capital allocation • Technological development may prompt enterprises to phase out some mechanical equipment in advance and switch to environmentally friendly alternatives, increasing equipment investment and quotation costs
Opportunities • Switch in customers' preference towards green energy		• In view of consumers' increasing attention and awareness of energy conservation and emission reduction, the Group has transformed ahead of schedule and integrated the concept of green development into its business development strategy, which may bring more revenue to the Group

In order to cope with climate risks, the Group has adopted a series of effective management approaches, such as establishing the "Major Risk Emergency Management Mechanism", issuing the "Severe Weather Emergency Management Measures", improving environmental compliance and investing in training resources, etc. Meanwhile, the Group has set up KPIs related to energy resources management to quantify and monitor the Group's progress on transforming to a low-carbon environmental development model, which is submitted to the Board for review through annual management reports. The Group plans to set more aggressive climate-related goals in the future, and make positive contributions to the realisation of the "30.60" goal through practical actions.

VI. SOCIAL SUSTAINABILITY

B.1 Employment

The Group values the talents of its employees and regards them as the key to success. The Group is committed to providing employees with a comfortable and stable working platform where its staff can realise their own value while utilising their professional skills. As of 31 December 2022, the Group had a total of 1,620 employees, including 1,051 males and 569 females, and all are full time employees.

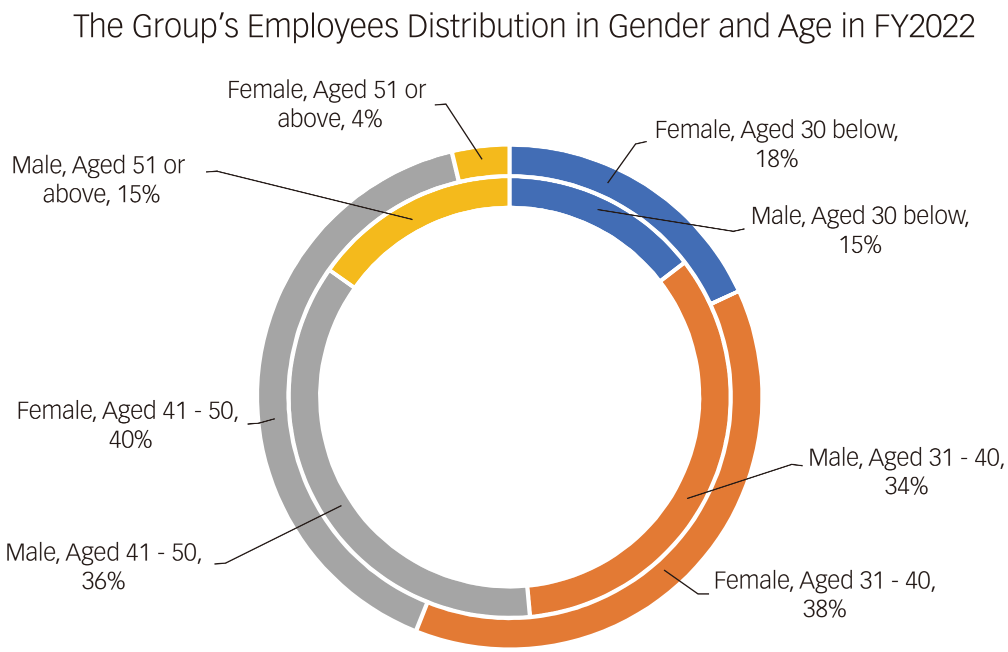


Table 3 – Total Number of Employees by Gender, Age and Geographical Location in FY2022[1]

Unit: Number of employees	Age Group				
Gender	Aged 30 or below	Aged 31–40	Aged 41–50	Aged 51 or above	Total
Male	153	357	381	160	1,051
Female	103	216	229	21	569
Total	256	573	610	181	1,620

Geographical Location	
Area	Number of employees
Changchun	959
Dandong	194
Wuchang	11
Jilin	34
Helong	7
Siping	5
Antu	6
Yanji	74
Dehui	10
Songyuan	16
Huadian	17
Meihe	7
Wangqing	7
Baicheng	15
Baishan	10
Panshi	10
Jiaohe	8
Anshan	6
Wafangdian	8
Shenyang	145
Liaoyuan	20
Longjing	11
Tonghua	15
Huichun	7
Dongfeng	18

1. *The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group within the reporting scope. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.*

Table 4 – Total Number of Employees by Position Level in FY2022[1]

Unit: Number of employees	Position Level			
Gender	General staff	Middle management level	Senior management level and Directors	Total
Male	992	40	19	1,051
Female	529	29	11	569
Total	1,521	69	30	1,620

1. *The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group within the reporting scope. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.*

Legal compliance

The Group's employment policies have been updated and revised in due course since its establishment to meet social changes and ensure they abide by the relevant laws and regulations. In FY2022, the Group complied with the relevant laws and regulations, including but not limited to:

- Labour Law of the People's Republic of China;
- Insurance Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China;
- Employment Promotion Law of the People's Republic of China;
- Labour Dispute Mediation and Arbitration Law of the People's Republic of China; and
- Provisions on Minimum Wages.

According to the latest laws and regulations, the Human Resources Department of the Group is responsible for regularly reviewing, updating, and monitoring the implementation of relevant policies within the company, such as the "Employee Manual", "Employment Management Regulations" etc. These policies clearly state the regulations on the employee's code of conduct, reward and punishment management, personnel management, training management, salary management and promotion management. Through the internal human resources information management platform, the Human Resources Department of the Group systematically records and manages the Group's employment data and information to ensure the integrity and real-time performance of the Group's human resources information.

Recruitment and promotion

The Group adheres to a people-oriented development strategy, regularly reviews its remuneration packages, and evaluates the capabilities and performance of its employees to ensure that the efforts and contributions of all employees can be recognised by the Group. By adopting a series of transparent and clear procedures including formulating and managing recruitment activities in accordance with the "Employment Management Regulations", the Group aims to achieve an "Open, Fair, Competitive, Merit-based" recruitment process. The "Employment Management Regulations" clearly stipulates the requirements on employment types, age, medical examination, insurance payment and reporting procedures, etc., to standardise the recruitment process. In FY2022, the Group held a number of recruitment activities, including the Changchun University Double Election, Changchun University of Technology Career Talk, Jilin University of Finance and Economics Career Talk, etc. Adhering to the principle of "Building the Employer's Brand and Enhancing the Overall Competitive Advantage of the Group", the Group adopts a strategy of combining internal selection and external recruitment to attract outstanding talents. The Group provides fair and competitive remuneration and benefits based on individual past performance, personal attribute, work experience and career aspirations. The Group also refers to the relevant market standards and the "Employee Manual" to classify employees into levels C, D or E, and offer promotion opportunities for employees with outstanding performance in their positions and potential for professional development. Through self-learning and endeavours, employees can not only pursue career development horizontally, but also strive for promotion and realise personal value.

Compensation and dismissal

The Group constantly reviews its remuneration system, regularly evaluates the work performance and potential of employees, and adjusts the corporate remuneration package in accordance with industry standards. The Group adjusts the salaries of employees based on its previous year's compensation practice, operating performance, Consumer Price Index (CPI index) and industry benchmarks, while ensuring the employees' salary information is strictly kept confidential in accordance with the "Employee Salary Confidentiality Management Measures". Any appointment, promotion, or termination of the employment contract should be legitimate and strictly implemented in accordance with internal policies. Employees shall give 30 days prior notice in advance of resignation and complete a resignation application form to indicate the reasons for resignation. After approval, it will be submitted to the Human Resources Department for reviewing and confirming before the resignation. In addition, employees in special positions shall undergo a resignation audit before leaving the Group. The Group has established a strict employee management policy to prohibit any kinds of unfair or unreasonable dismissals. For employees who have violated the Group's employment policies, the Group verbally warns before issuing a warning letter and terminates the employment contracts of those who have made the same mistakes repeatedly despite being warned in accordance with relevant national laws and regulations.

In FY2022, the total employee turnover rate of the Group was 15.6%.

Table 5 – Employee Turnover Rate by Gender, Age Group and Geographical Location in FY2022[1]

Unit: Number of Employees	Age Group				
Gender	Aged 30 or below	Aged 31–40	Aged 41–50	Aged 51 or above	Total
Male	48	69	34	11	162
Male employee turnover rate (%)	31.4	19.3	8.9	6.9	15.4
Female	30	33	27	0	90
Female employee turnover rate (%)	29.1	15.3	11.8	0	15.8
Total	78	102	61	11	252
Total employee turnover rate (%)	30.5	17.8	10.0	6.1	15.6

	Geographical Location	
Area	Employee turnover	Employee turnover rate (%)
Changchun	155	16.2
Dandong	32	16.5
Wuchang	1	9.1
Jilin	1	2.9
Helong	0	0
Siping	0	0
Antu	2	33.3
Yanji	6	8.1
Dehui	1	10.0
Songyuan	3	18.8
Huadian	5	29.4
Meihe	2	28.6
Wangqing	0	0
Baicheng	3	20.0
Baishan	1	10.0
Panshi	1	10.0
Jiaohe	1	12.5
Anshan	1	16.7
Wafangdian	1	12.5
Shenyang	19	13.1
Liaoyuan	0	0
Longjing	0	0
Tonghua	8	53.3
Huichun	1	14.3
Dongfeng	8	44.4

1. *The employee turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Employee turnover rate was calculated by dividing the number of employees who resigned in FY2022 by the number of employees in FY2022. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.*

Working hours and rest periods

To strictly manage the working hours of employees and set up a reward and punishment mechanism, the Group has formulated a series of internal policies such as "Regulation on Management of Employee's Attendance", "Regulation on Employee's Leave Management" etc. in its "Employee Manual" based on local employment laws including the "Provisions of the State Council on Employees' Working Hours". In addition to basic paid annual leave and statutory holidays, employees are entitled to additional paid leave such as marriage leave, maternity leave and funeral leave. Employees shall complete a leave application form specifying the reasons and time of the leave, and obtain supervisor's approval before it becomes effective.

Equal opportunity and anti-discrimination

As an employer advocating equal opportunities, the Group is committed to promoting anti-discrimination and equal opportunities in all human resources and employment decisions to create a work environment of fair competition, mutual respect and diversity. As such, the Group keeps regulating its operating practices, preventing any activity that may violate the principle of equal opportunity or anti-discrimination. All training and promotion opportunities, dismissals and retirement policies are provided based on factors irrespective of the employees' age, gender, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion, or any other non-job-related elements. The Group encourages its employees to report any incidents involving discrimination to the Human Resources Department, which is responsible for assessing, dealing with, recording, and taking any necessary disciplinary actions on responsible individuals.

In order to promote equal opportunities and eliminate all forms of discrimination, the Group emphasises effective communication between management and general employees. In FY2022, The Group held a mutual communication forum for employees to further understand the concerns of employees.

Other benefits and welfare

The Group believes that employees are the creators, practitioners, and pioneers of realising corporate value. To ensure the physical and mental health of employees and maintain a positive working attitude, the Group purchases work-related injury insurance for its employees in accordance with relevant national laws and regulations, and arranges team-building activities to broaden employees' horizons, strengthen their bonds and boost morale. Moreover, the Group provides well-equipped staff dormitories for its employees as well. In FY2022, due to the pandemic restrictions, no activities were organised. Instead, the "Reward Measures for Front-line Warranty Employees Returning to Work and Recall" was formulated and issued to encourage front-line employees to overcome difficulties bravely, return to work when they are in good health condition or continue to stay at his/her position, and provide subsidies.

In FY2022, the Group complied with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2 Health and Safety

The Group has always put the health and safety of employees in the first place, and attaches great importance to the understanding and implementation of safe operation and safety management throughout the Group. In FY2022, the Group strictly implemented its safety and health policies, such as “Safety Management Regulations”, “Implementation Plans for Optimising Safety Management in the Marketing Section”, “Safety Management Red Lines”, “Occupational Health Management System”, “Occupational Disease Hazard Warning and Notification System”, “Occupational Disease Hazard Project Reporting System”, “Occupational Health Publicity and Education Training System”, “Occupational Disease Prevention Facilities Maintenance and Repair System”, “Occupational Disease Hazard Monitoring and Evaluation Management system”, “Construction Project of Occupational Health Management system”, “Occupational Health Monitoring and Archives Management System”, “Occupational Disease Prevention Equipment Management System”, “Occupational Disease Hazard Emergency Rescue and Management System”, etc. Meanwhile, the Group strictly abided by the relevant laws and regulations, including the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, Regulation on Work-Related Injury Insurance, Emergency Response Law of the People’s Republic of China, Regulation on Labour Protection in the Jilin Province, and Regulation on Safety Management in the Jilin Province.

In view of leadership level of the Group, the Group has established a Central Safety Committee, which is composed of the president, vice presidents and managers of all business units, and is responsible for supervising the implementation of Group’s safety policies at all levels and in all business segments. The Safety and Environmental Department of the Group is responsible for regularly inspecting, reviewing, and supervising the implementation of the Group’s occupational health and safety-related policies, following up non-conformities, and urging responsible parties to rectify them as soon as possible. The Group’s occupational safety management team is responsible for assisting employees in learning and implementing national laws, regulations, rules and standards on occupational hazard prevention, supervising the implementation of the occupational hazard prevention and responsibility system at all levels, and ensuring the health and safety of employees during work.

The Group strictly abides by the laws, regulations and policy standards on occupational disease prevention and control, thus strengthening the relevant management system and standardises the safety work process. As such, the Group clearly conveys the information on occupational disease prevention and occupational health and safety responsibilities to personnel at all levels of gas and petroleum filling stations, in order to stick to the principle of “Responsibility at All Levels, Each Performs Its Duty”. In addition, the Group has also established a reward and punishment management system, which clearly stipulates violations related to safety and health, and strictly disciplines individuals with any violation of safety and fire management, sanitation management or safe operating procedures.

Adhering to the health and safety policies of "Full Safety", "Environmental Improvement", "Precaution First", "Sustainable Development", "People-Oriented" and "Health Protection", the Group carried out a series of occupational safety and health trainings during the year under review, and requires units at all levels to include relevant training content in their annual plans. The Group inspects the occupational hazard factors in the workplace and arranges employees to undergo occupational health examination annually. In case of an occupational hazard, the responsible unit must promptly report to the local Work Safety Administrative Department, and take effective measures to reduce or eliminate hazardous factors to prevent the accident from escalation in scale. The Group strictly prohibits late reporting, under-reporting, false reporting or concealing occupational hazard accidents.

Safety Management Red Lines of the Group

01

Gas stations prohibit

- Smoking at the stations
- Illegal use of fire
- Illegal use of electricity
- Work after drinking
- Enter the explosion-proof area without anti-static tooling
- Unload the gas without clamping the electrostatic clamp, etc.

02

Petroleum stations prohibit

- Fill the plastic drum directly
- Use of non-explosion proof equipment in explosion-proof areas without approval
- Hit the iron directly in the explosion-proof zone
- Repair the car in the explosion-proof zone and pump oil from the fuel tank, etc

03

Oil and gas hybrid stations prohibit

- Unload oil (gas) without clamping electrostatic clamp
- Change the plate without removing the trachea
- Use of non-explosion-proof equipment in explosion-proof areas without approval
- Manager of high-risk operations are not on duty on site, etc

04

Oil depots prohibit

- Bring cigarettes, lighters or phones into the depot area
- Not wearing anti-static tooling (shoes) to enter the explosion-proof area
- Oil loading and unloading and tank dumping operations are not supervised on site
- Unauthorised entry into restricted space for operations, etc.

05

Transportation fleets prohibit

- Make phone calls or play games on the phone while driving
- Illegal hot work (vehicle maintenance)
- Change the transportation route without permission
- After loading and unloading, do not confirm the safety before driving, etc.

The Group has formulated and implemented relevant emergency response measures for emergencies. The accident emergency response team is responsible for the emergency handling of accidents, and the team leader must fully handle the accident, and follow the emergency rescue procedures as below.

1. Accident reporting

2. Emergency scene rescue, on-the-spot self-rescue and mutual rescue

3. Scene closing

4. External liaison

5. Joint rescue

6. Accident analysis and responsibility declaring, to properly handle any emergency

The Group's transportation business strictly implements its "Emergency Plan for Production Safety Accidents" and makes clear requirements and regulations on the responsibilities of emergency response parties, emergency measures and support, and post-treatment, etc. Meanwhile, it has also established the "Hidden Danger Investigation and Governance Statistical Analysis Management System" to facilitate the investigation and management of accidents, aiming to completely eliminate the hidden danger of accidents, effectively prevent and reduce the probability of various accidents, and further protect the health and safety of its employees.

Since 2012, the Group has appointed a third-party industrial safety consulting company to provide regular safety management advisory services. Gas and petroleum refuelling stations have installed monitoring systems to ensure facility safety in real time. The Group has instructed designated employees to conduct regular inspections of facilities to prevent accidents such as fires and explosions.

Table 6 – Number and Rate of Work-related Fatalities Occurred in the Past Three Financial Years[1]

Year	FY2022	FY2021	FY2020
Number of work-related fatalities	0	1	0
Rate of work-related fatalities (in every hundred employees)	0	0.06	0

1. The work-related fatality data in headcount was obtained from the Group's Human Resources Department. The methodology adopted for reporting on work-related fatality data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.

In FY2022, a total of 105 lost days due to work injuries were recorded in the Group. The Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

Response to the Pandemic

In FY2022, the Group thoroughly implemented the arrangements of the Central Committee of the Chinese Communist Party and the State Council on regional classification and precise prevention and control of the pandemic, thus strengthened the major responsibility of enterprises to prevent and control the pandemic. The Group resolutely achieved the prevention and control of the pandemic as well as operation and management with "grab with both hands", "stay hard with both hands", "win with both hands", and to fully protect the health and safety of employees and customers. After the relaxation of China's pandemic controls, the State Council issued the "Requirements for the Prevention and Control of Secondary Infection of the New Coronavirus" which the Group strictly abided by. The Group reminded its employees to take good personal protection, including wearing masks, exercising properly, and strengthening the management of basis diseases to prevent reinfection. The Group also recommended employees to have necessary medicine reserves based on the actual situation. In addition, employees are required to have their meal during scheduled timeslots in the canteen while keeping distance and avoid communication, and leave immediately after the meal. With the gradual resumption of offline activities, the Group has adopted effective measures including wearing masks and maintaining separate seating to prevent cluster infection incidents.

At the same time, according to the characteristics of the market in the post-pandemic era, the Group adjusted its marketing strategy and formulated contingency plans in a timely manner, and used Internet big data and innovative technology to flexibly carry out various promotional activities, so as to build the Group's resilience, and help its operations and sales reach a new level. For example, the Group has carried out storage discounts, promotions for pandemic prevention personnel, etc. Meanwhile, the Group has also upgraded the payment model and developed license plate non-inductive payment technology, so that customers do not have to get out of the car to refuel, avoid contact with others during the refuelling process, and cut off the transmission of the virus.

The Group keeps up with the pace of the country, updates the pandemic prevention and control measures in a timely manner, shortens the distance with customers, increases people-to-people exchanges, and assists the society to return to normal.

B.3 Development and Training

The Group's Training Vision
To help the rapid development of the Group's commercialisation based on customer-oriented services, comprehensively improve employees' professional attribute, business ability and service level. At the same time, accelerate the talent reserve and training of key employees, and staff at sales and management positions, so as to enhance the Group's competitiveness in the development of holistic talents.

In order to cultivate outstanding talents, the Group aims to enhance the capabilities of employees, strictly implements training management procedures, and designs and provides appropriate training courses for employees according to their needs. Specifically, the Human Resources Department implements the Group's training policies, guidelines and plans, and is responsible for organising training courses, developing and designing teaching materials, and guiding various units to carry out training work. During the year under review, the Group organised a number of online and offline trainings through its training and development centre in Changchun, Jilin Province, and its online training platform in accordance with its internal policy. Training courses included integrated emergency plan for production safety accidents, barriers removal of customer service, occupational health knowledge, emergency preparedness before snow disaster freezing, etc.

The Group carries out strict and standardised management according to training needs analysis, formulation and implementation of training plans, evaluation of training effects and application of assessment results. The Group requires new employees to undergo occupational health training, including basic knowledge and hazard characteristics of petroleum products, risks in the position and countermeasures, and safety precautions for operations in oil refuelling stations, and pass the assessments before taking up the job. In case of transfers in positions, the employee must receive position-specific occupational health training and pass the assessment before taking up the job. Personnel from external construction units must refer to the regulations of the Group's occupational safety and health training and education regulations, and take up their posts after passing the trainings and examinations.

Due to the nature of the business, the Group's training is mainly based on safety, and employees in service are required to undergo occupational health training twice a year. All trainings related to occupational health is recorded and archived in accordance with the training file management policy.

Table 7 – Number and Percentage of Employees Trained by Gender and Position in FY2022[1]

Number of employees	Position			
Gender	General Staff	Middle Management	Senior Management and Director	Total
Male	991	40	19	1,050
% of employees trained	61.2	2.5	1.2	64.8
Female	530	29	11	570
% of employees trained	32.7	1.8	0.7	35.2
Total	1,521	69	30	
% of employees trained	93.9	4.3	1.9	
Total number of employees				1,620
Total number of trained employees				1,620
% of total employees trained				100

1. *The training data was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2022. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.*

Table 8 – Training Hours Received by Employees by Gender and Position in FY2022[1]

Unit: Hours	Position			
Gender	General Staff	Middle Management	Senior Management and Director	Total
Male	23,784	2,880	684	27,348
Average training hours	24.0	72.0	36.0	26.0
Female	12,720	2,088	396	15,204
Average training hours	24.0	72.0	36.0	26.7
Total	36,504	4,968	1,080	42,552
Average training hours	24.0	72.0	36.0	26.3

1. *The training data was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.*

B.4 Labour Standards

In FY2022, the Group abided by the Labour Law of the People's Republic of China and other related labour laws and regulations to prohibit any child and forced labour employment. To combat illegal employment of child labour, underage workers and forced labour, the Human Resources Department requires all job applicants to provide valid identity documents and fill in detailed personal information on the Employee Registration Form to ensure that they are lawfully employable prior to confirmation of any employment according to the "Employee Recruitment Management Regulations". The Group's Human Resources Department also carries out background check according to the Employee Entry Check List before employees starts the job, and requires employees to provide complete information before entry, otherwise relevant procedures will not be processed. In addition, the Human Resources Department is responsible for monitoring and ensuring the compliance of the Group's policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. Once any incident that fails to comply with the labour standards is found, the Group will terminate the employment contract immediately.

During the year under review, the Group was not in violation of relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

B.5. Supply Chain Management

The Group is well aware that the key of achieving sustainable development lies in having a healthy and stable supply chain. Over the years, the Group has continuously improved its ESG management system, and reviewed and controlled potential environmental and social risks that may exist in the supply chain while fulfilling its environmental and social responsibilities. The Group's supply chain management team unceasingly evaluates suppliers' operational compliance, industry qualifications and performance, and the quality of the products and services provided, while integrating the concepts of ESG to strengthen suppliers' training in the areas of environmental protection and social responsibility along with close communication, in order to effectively reduce the ESG risks in the supply chain of the Group. Meanwhile, the Group has established a list of qualified suppliers to manage its supply chain. The Group generally signs one-year contracts with suppliers, and the list is subject to internal evaluation and updated annually.

General Procedure for Product Procurement	
1.	**Plan:** Develop oil and gas procurement plans.
2.	**Research:** Track and understand the market conditions, and grasp price changes in surrounding markets in a timely manner.
3.	**Implement:** Operation Department negotiates with qualified suppliers on product variety, quality standards, quantity, price, transportation method, delivery location and time, payment method, loss rate, etc. and submit for approval.
4.	**Product Inspection:** After the products arrive in the warehouse, the laboratory technicians of the quality inspection centre will take sample tests according to the regulations, and handle the storage according to the standards for receiving and unloading oil, with the issuance of corresponding storage documents.
5.	**Payment approval:** Operation Department submits the payment application approval process according to the oil product purchase plan and related purchase contracts. Specific payment approval flow is implemented in accordance with the "Fund Payment Management Measures".

The main businesses of the Group are the sales of natural gas at gas refuelling stations, sales of petroleum at petroleum refuelling stations and the transportation services of petroleum and natural gas. The main suppliers include state-owned and private enterprises. Suppliers provide gasoline, diesel, natural gas, chemical products etc. to the Group in various means of transport including rail and road transportation. The supply process is strictly implemented in accordance with the "Procurement Management System", including determining purchase intentions, signing contracts, paying on time, shipping and picking up goods, and quality inspection and inbound.

Gas and petroleum refuelling station business

The selection of suppliers in this business segment prioritises the following factors:

1. A legitimate enterprise engaging in production/operation approved by the relevant state departments;

2. A sound quality control system;

3. Strong technical capabilities;

4. Good management standards;

5. Credibility, etc.

The selected suppliers are required to submit a gas and oil quality inspection report issued by the third-party to the Group. In order to eliminate the potential social and environmental risks of suppliers, the Group conducts a comprehensive risk identification and assessment of suppliers in combination with on-site visits and market research during the supplier qualification review process. The suppliers currently cooperating with the Group are all large enterprises with a good reputation in the local area.

The Group strictly follows the internal procurement policies, including the "Gas Procurement Management System" and "Oil Product Procurement Management System", etc., and the Operation Department is responsible for formulating product procurement plans, supervising the procurement process, and other management work. The gas and petroleum refuelling stations of each subsidiary are responsible for the procurement, acceptance, and product delivery and inspection in accordance with the "Regulations on Gas Inbound and Outbound Management". Meanwhile, the Finance Department is responsible for the payment of gas and oil orders.

The Group generally enters into annual gas supply framework agreements with its suppliers, and the agreements clearly sets out pricing, purchasing methods, delivery, and payment arrangements. The Group inspects multiple suppliers simultaneously to prepare for any emergency of supply shortages or price increase. The Operation Department is responsible for monitoring the gas and oil inspection reports provided by the suppliers. If any product is found to be unqualified or any supplier is found to be in breach of agreements, the Operation Department must communicate with suppliers in a timely manner to assist and monitor the rectification. Suppliers can only continue to cooperate with the Group after the rectification is qualified, otherwise the Group will activate the backup supplier plan. In FY2022, the Group did not spot any violation of regulations of the behaviours of or the substandard products from suppliers.

Transportation business

Petroleum and natural gas transportation services mainly involve the transportation services of natural gas, LNG, gasoline and diesel. The Group's transportation business segment purchases oil products from major oil depots and refineries, and delivers them to refuelling stations through logistics fleets for proper storage and sale. During supplier selection and product procurement processes, the Procurement Department adopts the tendering method in accordance with internal policies such as the "Equipment Management Regulations", "Material Procurement Management System" and "Measures for the Management of Tendering and Bidding for Bulk Purchasing Projects". Also, the suppliers' business license, tax registration certificate, quality management system, company reputation, after-sales service and national compulsory product certification such as "Refined Oil Retail Business License" and "Pressure Vessel Production License", etc., are being assessed, in order to purchase products from qualified suppliers based on national standards. The Group maintains close contact with its suppliers to sustain a good relationship, and regularly visits and evaluates them to control supplier risks from all aspects. In order to further control the risks during transportation, the Safety Department is responsible for instructing employees to operate safely to reduce the probability of accidents. Meanwhile, the Group has established a comprehensive and systematic emergency response mechanism to identify and solve problems promptly. The Group has a dedicated product quality inspection centre to perform quality inspection on the goods from suppliers in strict accordance with national standards and can only be stored after acceptance.

Supplier Risk Assessment
• License for operations • Compliance with safety requirements • Conformance to agreements for collaboration • Potential safety risks in transportation route

The Group believes that compliance is an important factor in minimising potential environmental and social risks, therefore it will only cooperate with suppliers who comply with applicable local laws and regulations and abide by corporate ethics. In addition, the Group also integrates green procurement into its policy, aiming to reduce the impact on the environment during the supply chain management process. For example, the aluminium alloy trailers purchased by the Group adopt the method of loading oil from the bottom to reduce environmental impact of the automobile transportation process. The Group is committed to building a network of local suppliers, and the suppliers in its transportation business segment are all local partners, which can effectively reduce the environmental pollution caused by vehicle exhaust during product transportation while reflecting the Group's efforts to promote green procurement. The implementation effect of the Group's green procurement principles is coordinated and supervised by the procurement department of each business segment.

The Group's general supply chain management policy and green procurement policy apply to all its suppliers. In FY2022, the Group maintained cooperative relations with 103 suppliers and all are located in China. Among them, there are 77 suppliers located in the province of the Group's operating entity and 26 in other regions.

B.6 Product Responsibility

The Group strictly complied with the laws and regulations relating to the health and safety of the Group's products and services, advertising, labelling and privacy matters in FY2022, including but not limited to:

- Product Quality Law of the People's Republic of China;
- Production Safety Law of the People's Republic of China;
- Fire Protection Law of the People's Republic of China;
- Metrology Law of the People's Republic of China;
- Road Traffic Safety Law of the People's Republic of China;
- Regulation of the People's Republic of China on Road Transport;
- Hazardous Chemical Management Regulations;
- Regulation of Gas Cylinder Filling; and
- Regulation of Automobile Transportation of Dangerous Goods, etc.

The Group adheres to the principle and goal of "market-oriented, customer-centric, brand-based chain, management excellence, and become a leading comprehensive energy supply chain management company in China" to move forward, strictly manage and improve the quality of products, transportation efficiency and service quality of gas and petroleum refuelling stations. All business segments of the Group abide by policy requirements such as "Oil Products Quality Management Measures" and "Customer Complaint Handling Management Measures", thereby actively implementing the systematic management network so as to fulfil its product and service responsibility.

Gas and petroleum refuelling station business

This business establishes a customer-oriented service concept to revitalise the enterprise strategy, while adhering to the service tenet of "Making Customers Happy and Satisfied", so as to strictly control the quality of the products at terminal refuelling stations. The Group aims to provide customers with high-quality products and achieve the goal of maintaining the customer satisfaction rate at 90%.

The Group's Operation Department and Quality Management Department conduct a series of tests to ensure the safety and reliability of operations. In addition to obtaining the "Pressure Vessel Use License", "Cylinder Filling Certificate", "Gas Business License" and other major safety operation certificates, the Group has also passed ISO 9001 Quality Management Systems to ensure the safety and stability of each unit's operation with standard and efficient management and operation procedures. Meanwhile, the Group has formulated policies such as "Oil Quality Management Measures" to control product quality from the aspects of mining, storing, transporting, and selling. In order to ensure the product quality, the Group strictly implements the "Regulations on the Management of Submission for Inspection". The Quality Management Department is responsible for approving management regulations and supervising the inspection procedures of petroleum refuelling stations. The quality inspection centre and the laboratories of each subsidiary are responsible for inspecting the oil products submitted for inspection in their respective regions, summarising the inspection results of oil products, and disposing of the inspected oil products. The Retail Management Department, the Product Scheduling Centre and the station management centres of each subsidiary are responsible for planning and arranging product delivery for inspection. Once any product quality accident occurs, the Group will deal with it in accordance with the "Oil Quality Management Measures" and a series of complementary measures, and carry out product recycling in an orderly manner in accordance with policy requirements when necessary. For example, if an oil depot finds unqualified conditions during unloading, storage, and outbound inspections, the quality inspection centre will immediately report to the oil depot dispatch, and the treatment method will be determined after deliberation by the manager of the oil product dispatch centre. If it is found to be unqualified during storage or outbound of the warehouse, the tank of oil product will be stopped from stock-out handed over to the oil dispatching centre for investigation and analysis of the reasons of the failure, then passed to the competent department for accountability.

In FY2022, the Group strictly implemented the "Measures for the Management of Customer's Complaints" in accordance with the "Principles for the Implementation of Customer-oriented Service Culture" to ensure that customer complaints can be handled and resolved through efficient and standardized procedures. The Group's customer complaint investigation and system improvement team and the customer service team of Retail Management Department are responsible for handling customer complaints. In addition, the Group will actively carry out case analysis in response to customer complaints, identify areas for improvement and optimise the system, and share the experience internally to avoid recurrence of similar incidents.

The Group abides by the Patent Law of the People's Republic of China, Intellectual Property Law of the People's Republic of China and Tort Law of the People's Republic of China, and based its protection of the intellectual property of the Group on the "Patent Technology Confidentiality Management Regulations". The Group applied and owns several important patents, including the "Preparation Equipment and Process and Thereof of a Type of Low Propane and High Olefin Liquefied Petroleum Gas", "Preparation Equipment of a Type of Low Propane and High Olefin Liquefied Petroleum Gas", "Gas Station Card and Machine Management System V1.01", and "Yafei Distribution ERP Management System V1.6". If relevant intellectual property rights are infringed, the Group will protect its rights through legal means.

The Group also complies with the Law of the People's Republic of China on the Protection of Customer Rights and Interests and other relevant laws and regulations concerning customer privacy. Through strict implementation of the "Customer Information Confidentiality System", the Group ensures that the privacy of its customers is well-protected. In addition, the "Customer Information Confidentiality System" clearly states the regulations on the type, authority, and use of information, as well as penalties for information disclosure. The personal information collected by the Group in the course of business is regarded as confidential, and all employees are strictly prohibited from providing customer information to third parties without the authorisation of customers. The Group appoints an external company to manage the database in a unified manner, and requires that personnel must be approved by the General Manager before they can access the relevant information of the customer.

The Group complies with the regulations of the Advertising Law of the People's Republic of China and strictly regulates the promotion methods of its products. In accordance with the internal policy procedures, the Group signs formal contracts with third-parties to carry out reasonable and legitimate advertising. The promotional activities of the Group are managed by standard application forms to regulate the form of activities, departments involved, activity purposes and activity policies, etc., to ensure that the promotional activities comply with the Group's policies and local laws and regulations.

Transportation business

The Group's transportation business also adheres to the customer-oriented service concept and fully incorporates safety and service requirements in various service processes and standards. In order to increase operation and management efficiency, in particular to ensure product quality and safety, the Group has set up internal policies such as the "General Code of Conduct on Safety", "Hot Work Safety Management Procedures" and "Work at Heights Safety Management Procedures", and implemented the following practices:

1. Carry out strict safety inspection on the areas where leakage may occur, such as vehicle valves, pipelines and flanges, before, during and after vehicle collection every day;

2. Perform road risk assessment regularly;

3. Perform GPS and video real-time monitoring on the route to ensure the transparency and safety of the transportation process in order to manage the driving route of vehicles and determine their specific locations;

4. Use electronic lead seals to ensure oil safety and accuracy of oil volume;

5. Require employees to carefully check the serial number and quality of oil products;

6. Strengthen onsite safety protection during oil unloading;

7. Communicate with customers in time to avoid operations under extreme weather events;

8. Adjust the transportation plan as appropriate to accommodate customers' needs;

9. Always drive safely, no overloading, no speeding, no fatigue driving; and

10. Establish a monitoring centre and make use of electronic escort technology that is supervised by a dedicated person.

To ensure the safety of employees and products during transportation, the Group arranges safety training for drivers regularly, and adopts the assessment method of lectures and written tests to improve the quality of drivers. In addition, the Group pays high attention to the service attitude of its employees, thus requires them to understand the situation of the incident through camera monitoring, telephone, on-site communication and other means as soon as they receive the suggestion, so as to give feedback to customers in the shortest possible time.

Product and service innovation

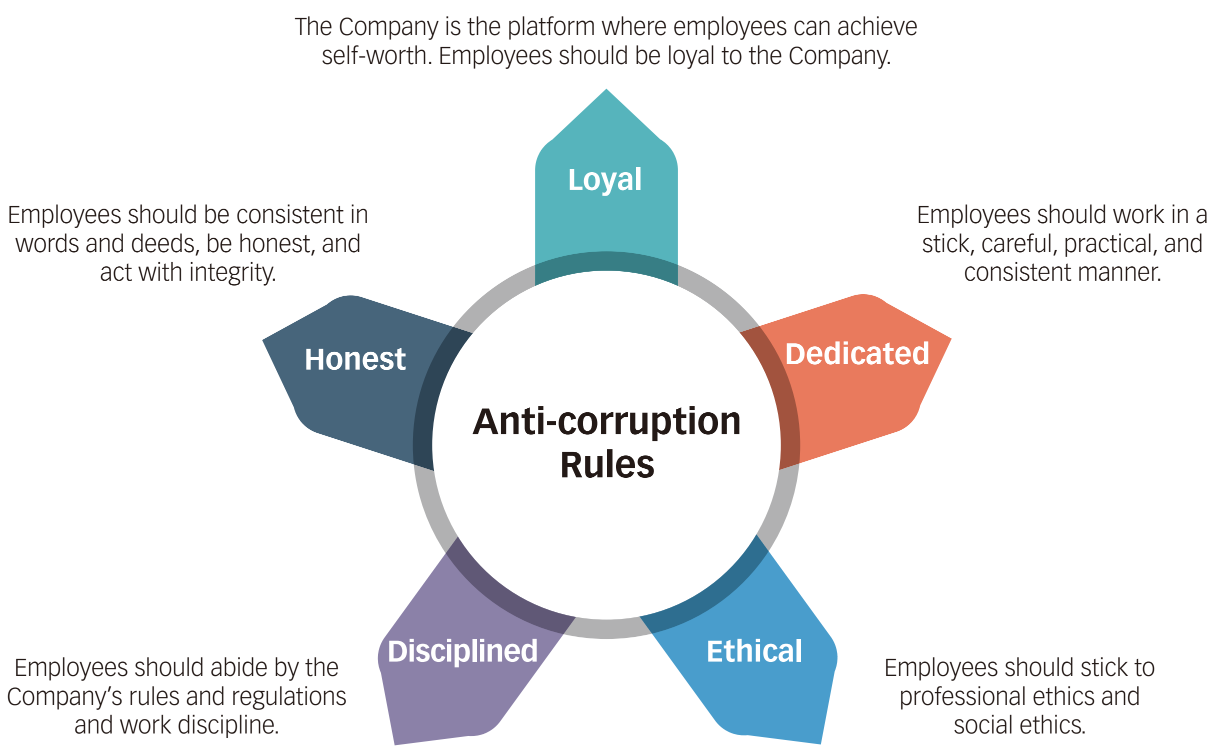
In FY2022, the Group continued its efforts to pursue technological and service innovations, striving to achieve product diversification and upgrading, and to improve customer satisfaction. According to the social situation, the Group adjusted its service standards and requirements, providing customers with free personal disinfection and vehicle disinfection services during the pandemic, and required employees to wear masks to ensure the safety of customers and employees. During the year under review, the Group invested more than RMB1,000,000 to develop and launch the non-inductive payment function of the dispensers, and has been successfully carried out at the Lingdong and Jingyang petroleum refuelling stations.

Since labelling is not applicable to the Group, the relevant information is not disclosed in this report. In FY2022, the Group did not recall any products/services sold for safety and health reasons, and no complaints were received. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to the quality, health and safety, advertisement, label and privacy of its products that have a significant impact on the Group.

B.7 Anti-corruption

In order to promote practices that are in line with the Group's corporate values of professional ethics, and to prevent the operation and management risks brought to the Group by violations of laws and regulations, the Group strictly abides by the local laws and regulations on anti-corruption and bribery, including the Anti-Corruption Law of the People's Republic of China and the Law of the People's Republic of China on Anti-money Laundering, etc. Moreover, the Group has established the Work Ethics Compliance Internal Audit Department to investigate and verify the violations of laws and disciplines within the Group, and effectively guide and supervise the establishment and operation of the internal control mechanism.

To ensure that all employees of the Group effectively implement anti-corruption policies and requirements, the Group has formulated the "Employee Manual", "Employee Code of Conduct" and other relevant guidelines to regulate employee behaviour and terminate any fraud. The Group prohibits all forms of bribery and corruption, thus conducts inspection internal audit, special internal audit, financial audit, and other methods for supervision. The Group requires all employees to strictly abide by the code of professional ethics and follow the rules below.



The Group's report investigation and verification procedures are as below.

➢ The report is received, and record its establishment;

➢ The report is submitted to the Board for approval and archive;

➢ Independent investigation and verification are carried out in a confidential manner;

➢ Information on the whistle-blower and the reporting is strictly kept confidential;

➢ Based on the verified information and evidence to proceed discussion;

➢ The conclusion of the investigation is reported to the Board;

➢ The Human Resources Department handles the case in accordance with the rules and regulations of the Group;

➢ The case will be announced within the Group.

The Group has implemented the "Reporting Hotline Management System", "Conflict of Interest Management System" and "Gift Giving and Receiving Management System", etc., while establishing an effective grievance mechanism to protect whistle-blowers from unfair dismissal or victimisation. If any suspected illegal activities are found, the Group will immediately report to the relevant regulatory or law enforcement authorities when the management deems it necessary.

In FY2022, the Group organised a total of 48 hours of anti-corruption related training courses and activities, including publicity meetings, trainings on the "Employee Manual", and interpretation of compliance-related systems, etc. The participation rates of management and general employees were as high as 560 and 2,360 person-times respectively.

In FY2022, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud, and money laundering that have a significant impact on the Group.

B.8. Community Investment

Since its establishment, the Group has always regarded giving back to the society as an important part of fulfilling its corporate social responsibilities. The Group is committed to building a good corporate culture and an excellent team full of responsibility, focusing on people's livelihood, community education, cultural construction and the promotion of social harmony, in order to create a sustainable community environment.

As a good corporate citizen, the Group continued to shoulder social responsibilities in FY2022 by initiating and supporting various community projects, and encouraging employees to actively participate in. The Group thoroughly implemented the mission as an enterprise and worked together to build a strong fortress against the pandemic, thus donated two batches of supporting kits including 3 tonnes of alcohol disinfectant, 300 sets of medical protective equipment, 300 sets of medical protective shoe covers, 300 sets of medical protective masks and 600 pairs of medical protective gloves to Erdao District, Changchun and the Changchun Traffic Transport Bureau. In addition, 70 of the Group's employees participated in the community service activity in Mingda Community, Yanji as volunteers to assist in cleaning up the stairs and rubbish at roadsides, and conducted patrols as well.

Under the background of promoting common prosperity, corporate social responsibility has been given new connotations and new missions. The Group will continue to promote the entrepreneurial spirit of the new era, pay attention to the needs of a wide range of stakeholders and establish a long-term value orientation, persevere in fulfilling its social responsibilities, and strive to actively promote harmonious coexistence and prosperity of the community.

VII. REPORT DISCLOSURE INDEX

SEHK ESG Report Disclosure Index

Aspects	ESG Indicators	Description	Page
Environment			
A1: Emissions	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes are those defined by national regulations.*	38-39, 43
	KPI A1.1	The types of emissions and respective emission data.	39
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	39
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	38
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	39
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	48
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Aspects		ESG Indicators	Description	Page
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		KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	44
		KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	49
		KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	46, 48
		KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	44
A3:	The Environmental and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	48-49
		KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	48-49
A4:	Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	50
		KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	50

Aspects		ESG Indicators	Description	Page
Social				
Employment and Labour Practices				
B1:	Employment	General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	53-54, 56
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		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	55
B2:	Health and Safety	General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	57-60
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		KPI B2.2	Lost days due to work injury.	59
		KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	57
B3:	Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	61
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	62
		KPI B3.2	The average training hours completed per employee by gender and employee category.	63

Aspects		ESG Indicators	Description	Page
B4:	Labour Standards	General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	63
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	63
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	63
Operating Practices				
B5:	Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	64
		KPI B5.1	Number of suppliers by geographical region.	66
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	64-66
		KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	65-66
		KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	66
B6:	Product Responsibility	General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	67-71
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	71

Aspects		ESG Indicators	Description	Page
		KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	68, 71
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	69
		KPI B6.4	Description of quality assurance process and recall procedures.	68
		KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	69
B7:	Anti-corruption	General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	71-73
		KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	73
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	71-72
		KPI B7.3	Description of anti-corruption training provided to directors and staff.	72
Community				
B8:	Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	73
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	73
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	73

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Company has four executive Directors, one non-executive Director and three independent non-executive Directors. Their details are set out below:

EXECUTIVE DIRECTORS

Mr. Zhao Jinmin (趙金岷先生), aged 54, is the Chairman of our Board, an executive Director and the Chief Executive Officer. He is primarily responsible for supervising the overall operations of our Group and planning our business and marketing strategies. Mr. Zhao was appointed as a Director on 19 December 2016 upon the incorporation of our Company and was re-designated as an executive Director on 21 March 2017. As one of the founders of our Group, Mr. Zhao has about 20 years of experience in the oil and gas industry. Since March 1999 up to March 2017, he has been a director of Changchun Yitonghe, which has been principally engaged in the distribution of petroleum and/or oil to vehicular end-users by operating petroleum refuelling stations, sales of petroleum products and other petroleum-related businesses.

Mr. Zhao was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) from the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), the PRC, in July 1990.

Since the incorporation of Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司) in July 2007, Mr. Zhao has been acting as one of its directors. He has been appointed as a director of Yanbian United Strength Energy Technology Development Company Limited (延邊眾誠能源技術開發有限公司) since October 2008 and he has also been serving as the sole director and general manager of Wuchang City Qinglian Gas Company Limited (五常市慶聯燃氣有限公司) since June 2010. Mr. Zhao has been the sole director of United Strength Power International Limited and United Strength Power HK Limited since their respective incorporations. Mr. Zhao is also a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Liu Yingwu (劉英武先生), aged 54, is an executive Director. He is primarily responsible for overseeing the operation and management of our businesses. Mr. Liu was appointed as a Director on 16 March 2017 and was redesignated as an executive director on 21 March 2017. As one of the founders of our Group, Mr. Liu has about 20 years of experience in the oil and gas industry. He has been a director of Changchun Yitonghe since March 1999 up to March 2017, responsible for overseeing the management and supervising the operation of the distribution of CNG, LNG and/or LPG to vehicular end-users by operating gas refuelling stations.

Mr. Liu was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) from the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University (吉林大學)), the PRC, in July 1990.

Since February 2012, Mr. Liu has been serving as the sole director of Jilin Dongkun Gas Company Limited (吉林東昆燃氣有限公司). He has also been the sole director and the general manager of Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司) since March 2012. Mr. Liu has been serving as the chairman and a director of each of Changchun Sinogas and Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限責任公司) since December 2014 and October 2014, respectively. Mr. Liu is also a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Ma Haidong (馬海東先生), aged 43, is an executive Director who joined our Group in August 2020. He is primarily responsible for the management and operation of the Group's petroleum refuelling business and the petroleum wholesale business, focusing on the petroleum refuelling station operation, which involves general operations, procurement and marketing affairs. Mr. Ma has over 15 years of experience in the oil and gas industry. Mr. Ma joined as a gas station master in April 2004. He worked as a manager at Changchun Longxing Liquified Gas Company (長春隆興液化氣公司) between March 2006 and February 2011 and was the manager of Shenyang Xinxin between June 2014 and March 2018. He has been serving as an assistant to president of Changchun Yitonghe since March 2018. He has been serving as a director of Shenyang United Strength since May 2017. Mr. Ma obtained a Bachelor degree in Management from Shenyang Institute of Chemical Technology (瀋陽化工學院) (now renamed as Shenyang University of Chemical Technology (瀋陽化工大學)), the PRC, in July 2004. Mr. Ma obtained the qualification as a senior economist conferred by Jilin Province Human Resources and Social Security Protection Department (吉林省人力資源和社會保障廳) in January 2011. Mr. Ma was a committee member of the Shenyang City Shenbei New District Committee of the PRC Political Consultative Conference (中國人民政治協商會議瀋陽市瀋北新區政協委員會) from February 2015 to October 2017.

Mr. Wang Zhiwei (**王志偉先生**), aged 56, is an executive Director and currently the general manager of Changchun Sinogas Company, Ltd. ("**Changchun Sinogas**"), an indirect wholly owned subsidiary of the Company. Mr. Wang's major responsibilities in the Group include supervising and managing the operation of the gas refuelling stations with a particular focus in those located in Changchun City, Jilin Province. Mr. Wang joined the Group in February 2012 as the general manager of Jilin Dongkun Gas Company Limited. Mr. Wang has also been a director of Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited since October 2014. During the period from December 2014 to August 2015, he was the general manger of Changchun Sinogas and was reappointed in October 2016. He has also been the sole director and the general manager of Meihekou City Yujia Petrochemical Company Limited since December 2016. Mr. Wang was awarded a Bachelor degree in Industrial Engineering and Management (工業管理工程專業) from the School of Management, Jilin University of Technology (吉林工業大學) (now renamed as Jilin University(吉林大學)), in July 1990.

NON-EXECUTIVE DIRECTOR

Mr. Xu Huilin (徐輝林先生), aged 47, is a non-executive Director who joined our Group in March 2017. Mr. Xu was appointed as a Director on 16 March 2017 and was redesignated as a non-executive Director on 31 December 2020.

Before he joined our Group, Mr. Xu has over 15 years of experience in the oil and gas industry and finance management, including over 12 years of experience in the Sinochem Group (中國中化集團公司), which is principally engaged in, among other businesses, trading, distribution, development of sale networks of oil and gas products. Mr. Xu had been serving in various subsidiaries of the Sinochem Group and joint ventures of the Sinochem Group and TOTAL S.A., a France-based oil and gas company under various management titles as assistant general manager, deputy general manager and general manager. He was generally responsible for general management and participation in the business operation and development. Mr. Xu obtained a Bachelor degree and a Master degree in the Department of Chemical Engineering (化學工程系) from Tsinghua University (清華大學), the PRC, in July 1999 and January 2002, respectively. Mr. Xu subsequently obtained an Executive Master of Business Administration (EMBA) degree at China Europe International Business School (中歐國際工商學院), the PRC, in June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Su Dan (蘇丹女士), aged 42, was appointed as an independent non-executive Director on 21 September 2017. Ms. Su obtained a Bachelor degree in Language and Literature (文學學士) at the Beijing Foreign Studies University (北京外國語大學), the PRC, in July 2002. Ms. Su subsequently obtained a Master degree in Public Administration from the Columbia University, the USA, in October 2005. She was awarded the certificate of independent director qualification (獨立董事資格證書) issued by the Shanghai Stock Exchange in September 2012. Ms. Su has over ten years' experience in the banking and financial industry. Currently, she is a director of Chinaway International Development Ltd. (漢通國際發展有限公司), a company principally engaged in the provision of market analysis and corporate finance advisory service and is responsible for providing consultancy services to corporate clients. During the period from January 2007 to December 2012, Ms. Su has worked under various managing position in a number of banks or financial institutes, including ICEA Capital Limited (工商東亞融資有限公司), ICBC International Capital Limited (工銀國際融資有限公司) and HSBC Private Bank (Suisse) SA, Hong Kong Branch (匯豐私人銀行（瑞士）有限公司香港分行).

Mr. Lau Ying Kit (劉英傑先生), aged 49, was appointed as an independent non-executive Director on 21 September 2017. Mr. Lau is currently the director of finance and investor relations, company secretary of Dalipal Holdings Limited (stock code: 1921) and an independent non-executive director of **KangLi International Holdings Limited (stock code: 6890), **Kingdom Holdings Limited (stock code: 528) and **Sinco Pharmaceuticals Holdings Limited (stock code: 6833). Mr, Lau was also the independent non-executive director of Xiezhong International Holdings Limited (delisted company) from May 2012 to October 2020 and **China Wood Optimization (Holding) Limited (stock code: 1885) from December 2013 to February 2022. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a Master's degree in finance from the City University of Hong Kong. He has extensive experience in financial and accounting in China and Hong Kong.

Mr. Zhang Zhifeng (張志峰先生), aged 60, was appointed as an independent non-executive Director on 27 November 2018. Mr. Zhang has more than 37 years' valuable experience in banking and financing industry. Mr. Zhang is currently a senior account manager of Changchun Branch of Jilin Province of Industrial and Commercial Bank of China Limited ("ICBC"). Since November 2001, Mr. Zhang has held various management positions in different branches of ICBC. Mr. Zhang graduated with a Bachelor degree in Economic Management at the Jilin Provincial Party School of the Communist Party of China (中共吉林省委黨校) in March 2002.

SENIOR MANAGEMENT

Mr. Lo Wai Kit (盧偉傑先生), aged 50, is the Chief Financial Officer and Company Secretary of our Company who joined our Group in March 2017. He is mainly responsible for overseeing the finance, accounting and company secretarial matters of our Group. Mr. Lo obtained a Bachelor degree of Arts (Honours) in Accountancy from the City University of Hong Kong, Hong Kong in November 1995. He is an associate member of the Association of Chartered Certified Accountants, a fellow member of the HKICPA and a Chartered Financial Analyst. Mr. Lo has over 18 years of experience in accounting and financial areas. Prior to joining our Group, Mr. Lo has been the company secretary and qualified accountant of **Asia Cement (China) Holdings Corporation (stock code: 743) from December 2007 to March 2017, responsible for handling the finance and company secretarial matters.

Ms. Bian Xiaodan (邊曉丹女士), aged 40, is the Chief Administrative Officer who joined our Group in March 2017. She is mainly responsible for overseeing the human resources, administration and public relations matter of our Group. Prior to joining our Group, Ms. Bian has served as the secretary of the board of directors of Changchun Yitonghe during the period from November 2006 to March 2017. She has more than 10 years of experience in general administration and affairs of corporations. Ms. Bian obtained a Master degree in Business Administration from the Asia International Open University (Macau) (亞洲（澳門）國際公開大學) (now renamed as City University of Macau (澳門城市大學)), Macau in November 2008.

Mr. Meng Xiange (孟憲革先生), aged 55, is the general manager of Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司). Prior to joining our Group, Mr. Meng has about 21 years of experience in the brewery business including holdings various managing positions in such companies. Mr. Meng's major responsibilities in our Group include supervising and managing the operation of the refuelling stations with a particular focus in those located in Yanji City, Longjing City and Helong City, Jilin Province. Mr. Meng was awarded a Bachelor degree in Machinery and Equipment Manufacturing Engineering (機械製造工藝及設備專業) from Jilin Institute of Technology (吉林工學院) (now renamed as Changchun University of Technology (長春工業大學)), the PRC, in July 1988.

Mr. Peng Wei (彭偉先生), aged 57, is the head of Information Management Department of the Group. He is mainly responsible for the management and operation of the petroleum refuelling business and the petroleum wholesale business, focusing on the information technology system management. Mr. Peng graduated from the China Textile University (中國紡織大學) (now renamed as Donghua University (東華大學)), the PRC in July 1988 and specialised his studies in Industrial Electrical Automation (工業電氣自動化專業). He also obtained the qualification as a senior engineer in computer science (計算機專業) conferred by Jilin Province Human Resources Protection Department* (吉林省人力資源保障廳) in January 2012. Mr. Peng has been a committee member of the Jilin Province Changchun City Erdao District Committee of the PRC Political Consultative Conference* (中國人民政治協商會議吉林省長春市二道區政協委員) with the effective period from October 2016 to October 2021.

Mr. Song Shuzhe (宋舒哲先生), aged 60, is the head of Safety Department of the Group. He is primarily responsible for the management and operation of the petroleum refuelling business and the petroleum wholesale business, focusing on the operation safety and management of the petroleum refuelling stations and storage facilities. He worked for the People's Liberation Army of the PRC between 1980 and 1986. Mr. Song completed his tertiary studies at Liaoning Kunshou Committee Party School* (遼寧刊授黨校), the PRC, in December 1993.

Mr. Wang Chuang (王闖先生), aged 51, is the head of Storage and Logistics Department of the Group. He is primarily responsible for the management and operation of the petroleum refuelling business and the petroleum wholesale business, focusing on the management of and daily operation of the petroleum storage facilities and the transportation vehicle fleet. Mr. Wang Chuang obtained a Bachelor degree in Engineering and a Master degree in Business Administration from Dalian University of Technology (大連理工大學), the PRC, in July 1992 and June 2001, respectively.

Mr. Zhang Hongtu (張宏圖先生), aged 46, is the vice head of Safety Department of the Group. He is primarily responsible for the management and operation of the petroleum refuelling business and the petroleum wholesale business, focusing on the operation safety and management of the petroleum refuelling stations and storage facilities. Mr. Zhang completed his studies in economic law at Jilin Province Institute of Technology* (吉林工學院) (now renamed as Changchun University of Technology (長春工業大學)), the PRC, in July 1998, and further completed his studies in law and obtained a graduation certificate of Self-taught Higher Education Examinations* (高等教育自學考試) from Jilin Province Higher Education Self-study Examination Committee (吉林省高等教育自學考試委員會) and Jilin University (吉林大學), the PRC, in December 2004.

Ms. Liu Guowei (劉國偉女士), aged 43, is the head of Human Resources Department of the Group. She is mainly responsible for the management and operation of the petroleum refuelling business and the petroleum wholesale business, focusing on the human resources management including recruitment and manpower deployment. Ms. Liu completed her studies in secretarial profession* (文秘專業) and obtained a graduation certificate of Self-taught Higher Education Examinations* (高等教育自學考試畢業證書) from Jilin Province Higher Education Self-study Examination Committee (吉林省高等教育自學考試委員會) and Jilin University, the PRC, in December 2005.

** *companies listed on The Stock Exchange of Hong Kong Limited*

DIRECTORS' REPORT

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are engaged in the sale of petroleum and natural gas to vehicular end-users by operating refuelling stations, wholesale of refined oil products business and provision of petroleum and gas transportation services. The activities of the principal subsidiaries are set out under Note 13 of the Notes to the Financial Statements in the Independent Auditor's Report on pages 142-144 of this annual report. The place of business operation of the major operating subsidiaries is the PRC. Details of changes in the nature of the Group's principal activities during the year ended 31 December 2022 are set out in the "Management Discussion and Analysis" of this annual report.

BUSINESS REVIEW

A fair review of the business, business outlook and the key financial performance indicators of the Group are provided in the "Management Discussion and Analysis" of this annual report. In addition, more details regarding the Group's performance in relation to environmental and social-related policies, an account of the Group's relationship with its key stakeholders, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Environmental, Social and Governance Report" and "Corporate Governance Report" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 101-102 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, 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 17/F, Far East Finance Centre, 16 Harbour Road, Hong Kong not later than 4:30 p.m. on Sunday, 18 June 2023.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set forth in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity on page 105 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB703.6 million. The amount of approximately RMB703.6 million includes the Company's share premium account of approximately RMB719.0 million which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital of the Company during the year are set forth in note 24 to the financial consolidated statements and in the section headed "Directors' Report – Share Option Scheme" in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and revenue from sales of goods or rendering of services attributable to major suppliers and customers are as follows:

Percentage of purchases attributable to the Group's largest supplier	28
Percentage of purchases attributable to the Group's five largest suppliers	77
Percentage of revenue attributable to the Group's largest customer	6
Percentage of revenue attributable to the Group's five largest customers	16

Jilin Province Songyuan Petrochemical Company Limited ("Songyuan Petrochemical") was one of the top five suppliers of the Company and a connected person of the Company by virtue that Mr. Zhao Jinmin, an executive Director and one of the controlling shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Given Songyuan Petrochemical was owned as to approximately 97.87% by Changchun Yitonghe. Given Songyuan Petrochemical was owned as to approximately 97.87% by Changchun Yitonghe, Songyuan Petrochemical is regarded as an associate of Mr. Zhao Jinmin, and hence a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2021 and 2022.

Save for the above, none of the Directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) has an interest in the major suppliers or customers noted above.

RELATED PARTY TRANSACTIONS

Other related party transactions disclosed in note 27(a) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during 2022 and are regarded as "de minimis transactions" pursuant to the Listing Rules. In respect of such connected transactions, no matter is required to be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong
Mr. Wang Zhiwei (appointed with effect from 27 July 2022)
Mr. Yuan Limin (resigned with effect from 27 July 2022)

Non-executive Director

Mr. Xu Huilin

Independent Non-executive Directors

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

In accordance with the Articles, one third of the Directors for the time being shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Also, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the Directors eligible for re-election and the notice of annual general meeting will be sent to shareholders of the Company in due course.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in pages 79 to 82 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed as update in Directors' and senior managements' biographies set out in pages 79 to 82 of this annual report, there are no changes to the Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2022 are set out in notes 8 and 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, circular of the Company dated 30 June 2020 (the "**Circular**") and in the Prospectus, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2022 or at any time during the financial year ended 31 December 2022.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company, Mr. Zhao Jinmin and Mr. Liu Yingwu have entered into a service contract with the Company commencing on 1 April 2017, and Mr. Yuan Limin, Mr. Ma Haidong and Mr. Wang Zhiwei have entered into a service contract with the Company commencing on 27 November 2018, 24 August 2020 and 27 July 2022 respectively, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to a non-executive Director. The Company has issued an appointment letter to Mr. Xu Huilin commencing on 31 December 2020, which may be terminated in accordance with the provisions thereof by either party giving to the other not less that three months' prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors, being Ms. Su Dan, Mr. Lau Ying Kit and Mr. Zhang Zhifeng, commencing on 1 September 2017, 1 September 2017, and 27 November 2018 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than three months' prior notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Group within one year without payment of compensation, other than normal statutory compensation.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2022 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS AND OFFICERS INSURANCE

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group since the Listing Date.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code, as otherwise notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares of the Company

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

Notes:

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

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

Long Position in the Shares of the Associated Corporations

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

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2022 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Substantial shareholders

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

Notes:

1. *These underlying shares comprise (i) 130,148,240 Shares held in the name of Golden Truth; and (ii) 71,780,000 Shares held in name of Propitious Peak Limited. Propitious Peak is wholly owned by Golden Truth which is in turn wholly owned by Mr. Zhao, our Chairman, an executive Director and Chief Executive Officer.*

2. *Ji Yuanyuan is the spouse of Mr. Zhao. By virtue of the SFO, Ji Yuanyuan is deemed to be interested in the shares in which Mr. Zhao is interested.*

3. *These underlying shares comprise (i) 23,381,400 Shares held in the name of Dynamic Fame Global Limited ("**Dynamic Fame**"); and (ii) 14,550,000 Shares held in name of Immense Ocean Limited ("**Immense Ocean**"). Immense Ocean is wholly owned by Dynamic Fame is in turn wholly owned by Ms. Xu Hang, our substantial shareholder. By virtue of the SFO, Ms. Xu Hang is deemed to be interested in the shares in which Dynamic Fame and Immense Ocean are interested.*

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

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

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing equivalent to 23,450,200 shares of the Company, which is approximately 6.3% of the issued share capital of the Company as at the date of this annual report.

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

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

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

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

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

The Share Option Scheme will expire on 20 September 2027. No options have been granted under the Share Option Scheme as at 31 December 2022, or as at the date of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is determined by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("**MPF**") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2022.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year ended 31 December 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES

The Group is committed to promoting awareness and decisions that contribute to achieving environmentally sustainable development. We will comply fully with all applicable environmental laws and regulations. We will use fuel, water and other natural resources efficiently and conservatively. We recognise this to be a continuous process of improvement and we seek to actively look for environmental friendly options and carry out environmental friendly practices whenever appropriate and possible.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHERS

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the reporting period, our staff continuously pursue training and career development through our training system.

Customers' feedback and advice could be taking into account via customer communication channel.

The Group uses suppliers that reflect its values and commitment. The Group has policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders has made an annual declaration in respect of their compliance with the terms of non-competition undertaking. Details of the non-competition undertaking are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus and the Circular.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders of the Company have complied with the non-competition undertaking and the non-competition undertaking for the period set forth in the paragraph above has been enforced by the Company in accordance with its terms.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of our controlling shareholders in our Company and disclosed in the Prospectus and Circular, during the year ended 31 December 2022, neither our Directors and their respective close associates (other than members of our Group) has any interest in a business, apart from the business of our Group, which competes or likely compete, either directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

During the year, members of the Group has entered into continuing connected transactions with connected persons, details of which are subject to the reporting requirements under Rule 14A.71 of the Listing Rules and are summarised herein below. The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as below in accordance with Main Board Listing Rule 14A.56. The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the above-mentioned continuing connected transactions and the actual amount incurred for the year ended 31 December 2022 or as at 31 December 2022 are summarized as follows:

	From 1 January 2022/ the effective date to 31 December 2022 RMB million
Provision of Petroleum and Liquefied Gas Transportation Service (Annual cap: RMB32 million)	
Provision of petroleum and liquefied gas transportation services for 3 years by Jieli Logistics to Changchun Yitonghe in consideration for the payment of transportation service fee. The agreement was entered on 11 June 2021. Details of the transactions are set out in the section headed "THE PROVISION OF PETROLEUM AND LIQUEFIED GAS TRANSPORTATION SERVICE" of the announcement dated 11 June 2021. The Company revised the annual caps for the provision of petroleum and liquefied gas transportation service for the year ended 31 December 2022 to RMB32,000,000 during 2021. For details, please refer to the announcement of the Company dated 7 December 2021.	19.57

	From 1 January 2022/ the effective date to 31 December 2022 RMB million
Petroleum Supply Agreement (Annual cap: RMB1,600 million)	
The petroleum supply agreement for 3 years entered into between WFOE and Songyuan Petrochemical, pursuant to which Songyuan Petrochemical will supply petroleum to the WFOE Group. The agreement was entered on 26 June 2020. Details of the transactions are set out in the section headed "Non-Exempt Continuing Connected Transactions" of the announcement dated 19 September 2019 and the circular dated 30 June 2020.	1,582.98
Supply of Refined Oil Products by the Group to United Strength Vehicle Service (Annual cap: RMB60 million)	
The agreement entered into between WFOE and United Strength Vehicle Service, pursuant to which United Strength Vehicle Service will procure refined oil products from the WFOE Group. The agreement was entered on 26 June 2020. Details of the transactions are set out in the section headed "Non-Exempt Continuing Connected Transactions" of the announcement dated 19 September 2019 and the circular dated 30 June 2020. The Company revised the annual caps for the supply of refined oil products to RMB60,000,000 during 2021. For details, please refer to the announcements of the Company dated 27 and 29 April 2021.	6.07

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge information and belief of the Directors, at least 25% of the Company's total issued share capital was held by the public, for the period from the Listing Date to the date of this annual report.

AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2022. KPMG will retire and, being eligible, will offer itself for re-appointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The Company did not change its external auditor in the past three years.

On behalf of the Board
Zhao Jinmin
Chairman and chief executive officer

31 March 2023

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
United Strength Power Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of United Strength Power Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

<table>
<tr><th colspan="2">Assessment of the potential impairment of property, plant and equipment
Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(i)(ii).</th></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The fluctuation of the sales volume and prices of refined oil, compressed natural gas ("CNG"), liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") affects the performance of the Group's refuelling stations and storage facilities business. The Group's refuelling stations and storage facilities business is principally operated through petroleum and natural gas refuelling stations, storage facilities and transportation vehicles. At the end of each reporting period, management reviews internal and external information to identify whether any impairment indications on the Group's property, plant and equipment exist.

If any such indication exists, management performs impairment assessments of the property, plant and equipment to estimate these asset's recoverable amounts.</td><td>Our audit procedures to assess the potential impairment of property, plant and equipment included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to assessment of the potential impairment of property, plant and equipment;

• assessing management's methodology adopted in identification of indicators of potential impairment of property, plant and equipment, identification of the CGUs and the allocation of assets to each CGU with reference to our understanding of the Group's refuelling stations and storage facilities business and the requirements of the prevailing accounting standards;

• for those CGUs that included property, plant and equipment with impairment indicators, assessing the relevant discounted cash flow forecasts prepared by the management, including:

– assessing the appropriateness of the using of the value in use model for determining the recoverable amounts;</td></tr>
</table>

KEY AUDIT MATTERS (continued)

Assessment of the potential impairment of property, plant and equipment *Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(i)(ii).*	
The Key Audit Matter	**How the matter was addressed in our audit**
For cash-generating units ("CGUs") where indicators of impairment were identified, management compares the carrying amounts of the property, plant and equipment allocated to these CGUs with the respective recoverable amounts, which are estimated by preparing the relevant discounted cash flow forecasts, to determine the amounts of impairment losses, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in determining the relevant inputs to be included in the discounted cash flow forecasts and the assumptions adopted therein, including forecast selling prices, purchase prices and sales volume of refined oil, CNG, LPG and LNG, forecast expenses and the applicable discount rates.	– assessing management's discounted cash flow forecasts for those CGUs where impairment indicators were identified by comparing the key assumptions adopted by management, in particular, forecast selling prices, purchase prices and sales volume of refined oil, CNG, LPG and LNG and forecast expenses, with our understanding, experience and knowledge of the Group's refuelling stations and storage facilities business and the refined oil, CNG, LPG and LNG industry in general; – comparing the key data used in the management's discounted cash flow forecasts for those CGUs with market and other externally available information, such as comparing the forecast selling prices and purchase prices of refined oil, CNG, LPG and LNG with external market data as at 31 December 2022, with consideration of the available market and external information; – comparing key financial data, including revenue, cost of sales and expenses, included in the discounted cash flow forecasts with the budgets approved by the board of directors;

KEY AUDIT MATTERS (continued)

Assessment of the potential impairment of property, plant and equipment *Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(i)(ii).*	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessment of the potential impairment of property, plant and equipment as a key audit matter because impairment assessments involve the exercise of significant management judgement, particularly in forecasting selling prices, purchase prices and sales volume of refined oil, CNG, LPG and LNG, forecasting expenses and determining the appropriate discount rates, all of which could be subject to management bias in their selection.	– comparing the actual results for the current year with management's estimates in their discounted cash flow forecasts prepared in the previous year to assess the historical accuracy of the management's forecasting process; – engaging our internal valuation specialists, where appropriate, to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range of those adopted by other companies in the same industry; – performing sensitivity analyses of the key assumptions adopted by management, including forecast selling prices, purchase prices and sales volume of refined oil, CNG, LPG and LNG, forecast expenses and the applicable discount rates, to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; and – assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of property, plant and equipment with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Chi Yau, Charles.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022 *(Expressed in Renminbi ("RMB"))*

	Note	2022 RMB'000	2021 RMB'000
Revenue	*4*	**6,089,366**	5,830,081
Cost of sales		**(5,696,264)**	(5,217,357)
Gross profit	*4(b)*	**393,102**	612,724
Other income	*5*	**6,514**	12,161
Staff costs	*6(b)*	**(154,857)**	(161,686)
Depreciation expenses	*6(c)*	**(77,471)**	(75,767)
Impairment (loss)/gain on trade receivables	*25(a)*	**(2,170)**	4,075
Other operating expenses		**(78,162)**	(98,484)
Profit from operations		**86,956**	293,023
Share of results and impairment loss of a joint venture	*14*	**(13,816)**	1,003
Finance costs	*6(a)*	**(36,268)**	(41,902)
Profit before taxation	*6*	**36,872**	252,124
Income tax	*7*	**(17,921)**	(70,200)
Profit for the year		**18,951**	181,924
Attributable to:			
Equity shareholders of the Company		**16,530**	176,620
Non-controlling interests		**2,421**	5,304
Profit for the year		**18,951**	181,924
Earnings per share			
– Basic and diluted (RMB)	*10*	**0.04**	0.47

The notes on pages 109 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022 *(Expressed in RMB)*

	2022 RMB'000	2021 RMB'000
Profit for the year	**18,951**	181,924
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	**8,279**	(1,540)
Total comprehensive income for the year	**27,230**	180,384
Attributable to:		
Equity shareholders of the Company	**25,056**	175,031
Non-controlling interests	**2,174**	5,353
Total comprehensive income for the year	**27,230**	180,384

The notes on pages 109 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022 *(Expressed in RMB)*

	Note	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**537,767**	636,344
Investment properties	12	**1,872**	2,035
Interest in a joint venture	14	**66,911**	73,878
Deferred tax assets	23(b)	**15,907**	7,751
		622,457	720,008
Current assets			
Inventories	15	**136,267**	80,025
Trade and bills receivables	16	**67,991**	38,346
Prepayments, deposits and other receivables	17	**586,312**	600,640
Income tax recoverable	23(a)	**3,780**	3,582
Cash at bank and on hand	18	**138,647**	101,774
		932,997	824,367
Current liabilities			
Bank and other loans	19(a)	**298,925**	207,453
Trade and bills payables	20	**63,901**	113,947
Accrued expenses, other payables and contract liabilities	21	**358,615**	253,654
Lease liabilities	22	**87,229**	124,389
Income tax payable	23(a)	**10,300**	38,149
		818,970	737,592
Net current assets		**114,027**	86,775
Total assets less current liabilities		**736,484**	806,783
Non-current liabilities			
Bank and other loans	19(b)	**–**	45,625
Lease liabilities	22	**264,732**	307,001
Deferred tax liabilities	23(b)	**4,128**	5,496
		268,860	358,122
NET ASSETS		**467,624**	448,661

The notes on pages 109 to 171 form part of these financial statements.

	Note	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
CAPITAL AND RESERVES	*24*		
Share capital		**32,293**	32,293
Reserves		**396,391**	379,511
Total equity attributable to equity shareholders of the Company		**428,684**	411,804
Non-controlling interests		**38,940**	36,857
TOTAL EQUITY		**467,624**	448,661

Approved and authorised for issue by the board of directors on 31 March 2023.

Zhao Jinmin
Chairman

Liu Yingwu
Director

The notes on pages 109 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 *(Expressed in RMB)*

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 24(c))*	Share premium RMB'000 *(Note 24(d)(i))*	Other reserve RMB'000 *(Note 24(d)(ii))*	Statutory reserve RMB'000 *(Note 24(d)(iii))*	Exchange reserve RMB'000 *(Note 24(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	32,293	719,491	(700,106)	11,701	696	189,530	253,605	31,504	285,109
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	176,620	176,620	5,304	181,924
Other comprehensive income for the year	–	–	–	–	(1,589)	–	(1,589)	49	(1,540)
Total comprehensive income	–	–	–	–	(1,589)	176,620	175,031	5,353	180,384
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	–	–	–	–	(16,832)	(16,832)	–	(16,832)
Appropriation to reserves	–	–	–	3,299	–	(3,299)	–	–	–
	–	–	–	3,299	–	(20,131)	(16,832)	–	(16,832)
Balance at 31 December 2021	32,293	719,491	(700,106)	15,000	(893)	346,019	411,804	36,857	448,661

The notes on pages 109 to 171 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2022 *(Expressed in RMB)*

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 24(c))*	Share premium RMB'000 *(Note 24(d)(i))*	Other reserve RMB'000 *(Note 24(d)(ii))*	Statutory reserve RMB'000 *(Note 24(d)(iii))*	Exchange reserve RMB'000 *(Note 24(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	32,293	719,491	(700,106)	15,000	(893)	346,019	411,804	36,857	448,661
Changes in equity for 2022:									
Profit for the year	–	–	–	–	–	16,530	16,530	2,421	18,951
Other comprehensive income for the year	–	–	–	–	8,526	–	8,526	(247)	8,279
Total comprehensive income	–	–	–	–	8,526	16,530	25,056	2,174	27,230
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	–	–	–	–	(8,176)	(8,176)	–	(8,176)
Distributions to non-controlling equity holder of a subsidiary	–	–	–	–	–	–	–	(91)	(91)
	–	–	–	–	–	(8,176)	(8,176)	(91)	(8,267)
Balance at 31 December 2022	32,293	719,491	(700,106)	15,000	7,633	354,373	428,684	38,940	467,624

The notes on pages 109 to 171 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022 *(Expressed in RMB)*

	Note	**2022 RMB'000**	2021 RMB'000
Operating activities			
Profit before taxation		**36,872**	252,124
Adjustments for:			
Depreciation expenses	*6(c)*	**77,471**	75,767
Net loss/(gain) on disposal of property, plant and equipment	*5*	**97**	(1,181)
Finance costs	*6(a)*	**36,268**	41,902
Interest income	*5*	**(657)**	(413)
Share of results and impairment loss of a joint venture	*14*	**13,816**	(1,003)
Changes in working capital:			
(Increase)/decrease in inventories		**(56,242)**	31,951
(Increase)/decrease in trade and bills receivables		**(29,645)**	902
Decrease/(increase) in prepayments, deposits and other receivables		**14,328**	(343,681)
(Decrease)/increase in trade and bills payables		**(50,046)**	23,808
Increase in accrued expenses, other payables and contract liabilities		**106,752**	44,579
Cash generated from operations		**149,014**	124,755
Income tax paid	*23(a)*	**(55,492)**	(61,742)
Net cash generated from operating activities		**93,522**	63,013
Investing activities			
Payments for purchase of property, plant and equipment		**(12,137)**	(23,798)
Proceeds from disposal of property, plant and equipment		**302**	10,115
Interest received		**657**	413
Net cash used in investing activities		**(11,178)**	(13,270)

The notes on pages 109 to 171 form part of these financial statements.

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Proceeds from bank and other loans	18(b)	**262,300**	204,000
Repayment of bank and other loans	18(b)	**(216,453)**	(192,978)
Capital element of lease rentals paid	18(b)	**(46,505)**	(10,920)
Interest element of lease rentals paid	18(b)	**(27,689)**	(4,445)
Dividends paid to equity shareholders of the Company	18(b)	**(8,176)**	(16,832)
Distributions paid to non-controlling equity holder of a subsidiary	18(b)	**(91)**	–
Net decrease in the amounts due to related parties	18(b)	**–**	(51,984)
Net increase in pledged bank deposits		**(30,150)**	(21,200)
Interest paid	18(b)	**(9,490)**	(12,934)
Net cash used in financing activities		**(76,254)**	(107,293)
Net increase/(decrease) in cash and cash equivalents		**6,090**	(57,550)
Cash and cash equivalents at 1 January	18(a)	**53,574**	111,617
Effect of foreign exchange rate changes		**633**	(493)
Cash and cash equivalents at 31 December	18(a)	**60,297**	53,574

The notes on pages 109 to 171 form part of these financial statements.

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"). Significant accounting policies adopted by the Group are disclosed below.

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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The number of refuelling stations and storage facilities of the Group as at 31 December 2022 was as follows:

	Owned by the Group		Operated by the Group under entrusted management agreements	
	Refuelling stations	Petroleum storage facilities	Refuelling stations	Petroleum storage facilities
At 31 December 2022	**46**	**2**	**41**	**1**
At 31 December 2021	52	2	42	1

(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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets, Onerous contracts – cost of fulfilling a contract*

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held-for-sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Joint venture

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assess whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's equity interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL (as defined in Note 2(i)(i)) model to such other long-term interests where applicable (see Note 2(i)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's equity interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained equity interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire equity interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any equity interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(h)) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)). The depreciation policy is the same as that of property, plant and equipment (see Note 2(g)). Rental income from investment properties is accounted for as described in Note 2(s)(iii).

When the Group holds a property interest under a lease as a right-of-use asset to earn rental income and/or for capital appreciation, the right-of-use asset is classified and accounted for as an investment property on a property-by-property basis. Lease payments are accounted for as described in Note 2(h).

(g) Property, plant and equipment

The items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 2(u)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
– Buildings and properties	Over the shorter of the term of lease and their estimated useful lives
– Refuelling equipment, storage facilities and related equipment	3–15 years
– Motor vehicles and other equipment	3–10 years
– Right-of-use assets	Over the term of lease

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the Covid-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16, Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidation statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(s)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables);

– contract assets; and

– lease receivables.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and bills receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment of non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– investment properties; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(i)(i) and 2(i)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(j)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(s).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(k)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(i)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(u)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(i)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and control over the goods is transferred to the customer.

(ii) Render of services

Revenue from the render of services is recognised progressively based on percentage of completion.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or rate are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations which have a functional currency other than RMB, the Group's presentation currency, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant sources of estimation uncertainty and critical accounting judgement made by the management are as follows:

(a) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(i)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the asset and could result in additional impairment charge or reversal of impairment in future periods.

(b) Depreciation

Property, plant and equipment are depreciated over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Determining the lease term

As explained in policy Note 2(h), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operations. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	2022 RMB'000	2021 RMB'000
Sales of refined oil and natural gas	**6,031,596**	5,774,576
Revenue from the provision of transportation services	**57,722**	54,353
Revenue from the trading of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG")	**48**	1,152
	6,089,366	5,830,081

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(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 2022 (2021: Nil). Details of the Group's concentrations of credit risk are set out in Note 25(a).

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

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

– Sale of refined oil: this segment carries out sales of refined oil to vehicular end-users by 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 CNG, LPG and liquefied natural gas ("LNG") to vehicular end-users by operating refuelling stations, and trading of LPG and CNG; 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 (loss)/gain on trade receivables, other operating expenses and share of results and impairment loss of a joint venture, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

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

	2022			
	Sale of refined oil RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition:				
– Point in time	5,819,473	212,171	–	6,031,644
– Over time	–	–	57,722	57,722
Revenue from external customers	5,819,473	212,171	57,722	6,089,366
Inter-segment revenue	22,294	55	50,405	72,754
Reportable segment revenue	5,841,767	212,226	108,127	6,162,120
Reportable segment gross profit	298,175	35,036	59,891	393,102

	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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenue and profit or loss

	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	**6,162,120**	5,906,455
Elimination of inter-segment revenue	**(72,754)**	(76,374)
Consolidated revenue *(Note 4(a))*	**6,089,366**	5,830,081
Profit		
Reportable segment gross profit	**393,102**	612,724
Other income	**6,514**	12,161
Staff costs	**(154,857)**	(161,686)
Depreciation expenses	**(77,471)**	(75,767)
Impairment (loss)/gain on trade receivables	**(2,170)**	4,075
Other operating expenses	**(78,162)**	(98,484)
Share of results and impairment loss of a joint venture	**(13,816)**	1,003
Finance costs	**(36,268)**	(41,902)
Consolidated profit before taxation	**36,872**	252,124

(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.

5 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants	**2,345**	–
Rental income from operating leases	**2,900**	2,863
Interest income	**657**	413
Net (loss)/gain on disposal of property, plant and equipment	**(97)**	1,181
Net foreign exchange gain/(loss)	**2**	(132)
Reversal of other receivable previously written-off	**–**	7,590
Others	**707**	246
	6,514	12,161

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2022 RMB'000	2021 RMB'000
Interest expenses on:		
– bank and other loans	**9,490**	12,934
– lease liabilities *(Note 11(b)(ii))*	**26,778**	28,968
	36,268	41,902

No borrowing costs have been capitalised during the year ended 31 December 2022 (2021: RMBNil).

(b) Staff costs:

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	**140,015**	149,863
Contributions to defined contribution retirement plans	**14,842**	11,823
	154,857	161,686

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.

6 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2022 RMB'000	2021 RMB'000
Depreciation expenses:		
– owned property, plant and equipment *(Note 11)*	**28,721**	27,370
– right-of-use assets *(Note 11)*	**48,587**	48,233
– investment properties *(Note 12)*	**163**	164
	77,471	75,767
Operating lease charges relating to short-term leases and leases of low-value-assets *(Note 11(b)(ii))*	**1,679**	6,344
Auditors' remuneration – audit services	**5,800**	6,200
Cost of inventories *(Note 15(b))*	**5,670,377**	5,198,011

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current taxation *(Note 23(a))*		
Provision for the year	**27,445**	71,014
Deferred taxation *(Note 23(b))*		
Origination and reversal of temporary differences	**(9,524)**	(814)
	17,921	70,200

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 RMB'000	2021 RMB'000
Profit before taxation	**36,872**	252,124
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**13,372**	66,372
Tax effect of non-deductible expenses	**2,278**	2,359
Tax concessions *(Note (iv))*	**(599)**	(512)
Tax effect of share of results and impairment loss of a joint venture	**2,280**	(165)
Tax effect of unused tax losses and temporary differences not recognised	**590**	646
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary	**–**	1,500
Actual tax expense	**17,921**	70,200

Notes:

(i) The Company, a subsidiary of the Group incorporated in the British Virgin Islands and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2022 (2021: 16.5%).

(ii) The Company and subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

(iv) Pursuant to tax relief policies issued by Ministry of Finance and State Taxation Administration of the PRC in 2022, certain companies of the Group established in the PRC (excluding Hong Kong), which meet the stipulated small scale operations are subject to preferential tax rates of 2.5% to 5% for their taxable profits for the year ended 31 December 2022 (2021: ranged from 2.5% to 10%).

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Zhao Jinmin	–	1,130	–	52	1,182
Mr Liu Yingwu	–	845	–	52	897
Mr Yuan Limin (resigned on 27 July 2022)	–	775	–	16	791
Mr Wang Zhiwei (appointed on 27 July 2022)	–	283	–	43	326
Mr Ma Haidong	–	291	–	43	334
Non-executive director					
Mr Xu Huilin	–	311	–	–	311
Independent non-executive directors					
Ms Su Dan	259	–	–	–	259
Mr Lau Ying Kit	259	–	–	–	259
Mr Zhang Zhifeng	259	–	–	–	259
	777	3,635	–	206	4,618

8 DIRECTORS' EMOLUMENTS (continued)

	2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Zhao Jinmin	–	899	–	–	899
Mr Liu Yingwu	–	700	–	–	700
Mr Yuan Limin	–	996	–	15	1,011
Mr Ma Haidong	–	180	–	14	194
Non-executive director					
Mr Xu Huilin	–	299	3	3	305
Independent non-executive directors					
Ms Su Dan	249	–	–	–	249
Mr Lau Ying Kit	249	–	–	–	249
Mr Zhang Zhifeng	249	–	–	–	249
	747	3,074	3	32	3,856

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2021: three) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, discretionary bonuses and other emoluments	**1,545**	1,457
Retirement scheme contributions	**31**	19
	1,576	1,476

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK$Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	–
	2	2

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit attributable to ordinary equity shareholders of the Company of RMB16,530,000 (2021: RMB176,620,000) and the weighted average of 374,502,000 ordinary shares (2021: 374,502,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares during the years ended 31 December 2022 and 2021.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts

	Buildings and properties RMB'000	Refuelling equipment, storage facilities and related equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:						
At 1 January 2021	87,525	122,283	119,400	2,476	541,319	873,003
Additions	1,038	5,940	8,110	5,932	63,678	84,698
Transfer in/(out)	–	649	3,578	(4,227)	–	–
Disposals	(1,594)	(1,868)	(1,457)	(3,069)	(17,697)	(25,685)
At 31 December 2021	86,969	127,004	129,631	1,112	587,300	932,016
Accumulated depreciation and impairment losses:						
At 1 January 2021	30,916	70,984	73,152	–	60,104	235,156
Charge for the year	2,798	9,719	14,853	–	48,233	75,603
Written back on disposals	(171)	(1,686)	(1,439)	–	(11,791)	(15,087)
At 31 December 2021	33,543	79,017	86,566	–	96,546	295,672
Carrying amount:						
At 31 December 2021	53,426	47,987	43,065	1,112	490,754	636,344
Cost:						
At 1 January 2022	86,969	127,004	129,631	1,112	587,300	932,016
Additions	396	856	5,658	5,077	–	11,987
Transfer in/(out)	380	–	–	(380)	–	–
Disposals	–	(824)	(1,432)	–	(38,688)	(40,944)
At 31 December 2022	87,745	127,036	133,857	5,809	548,612	903,059
Accumulated depreciation and impairment losses:						
At 1 January 2022	33,543	79,017	86,566	–	96,546	295,672
Charge for the year	3,280	9,659	15,782	–	48,587	77,308
Written back on disposals	–	(737)	(1,120)	–	(5,831)	(7,688)
At 31 December 2022	36,823	87,939	101,228	–	139,302	365,292
Carrying amount:						
At 31 December 2022	50,922	39,097	32,629	5,809	409,310	537,767

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts (continued)

At 31 December 2022, property certificates of certain properties with carrying amounts of RMB988,000 (2021: RMB1,086,000) are yet to be obtained. The Group is in the process of applying for the ownership certificates for these properties, and Mr Zhao Jinmin has undertaken to procure the obtaining of the title documents for the abovementioned properties. If title documents could not be obtained, Mr Zhao Jinmin agreed to indemnify the Group for all the losses and damages arising therefrom.

(b) Right-of-use assets

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Land use rights *(Note 11(b)(iii))*	**122,799**	127,201
Buildings and properties *(Note 11(b)(iv))*	**2,972**	5,360
Refuelling equipment, storage facilities and related equipment *(Note 11(b)(iv))*	**283,539**	357,560
Motor vehicles and other equipment *(Note 11(b)(iv))*	**–**	633
	409,310	490,754

(ii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset *(Note 6(c))*:		
– Land use rights	**4,402**	3,307
– Buildings and properties	**2,388**	2,369
– Refuelling equipment, storage facilities and related equipment	**41,164**	41,925
– Motor vehicles and other equipment	**633**	632
	48,587	48,233
Interest expenses on lease liabilities *(Note 6(a))*	**26,778**	28,968
Operating lease charges relating to short-term leases and leases of low-value assets *(Note 6(c))*	**1,679**	6,344

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets (continued)

(iii) Land use rights represent premiums paid by the Group for land located in the PRC. These land use rights are with lease terms of 30 to 50 years.

(iv) These leases mainly expiring from 3 to 10 years from inception, and some of them include an option to renew when all terms are renegotiated. None of the leases includes variable lease payments.

(v) Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(c) and 22, respectively.

(c) Assets leased out under operating leases

The analysis of the carrying amounts of the Group' property, plant and equipment leased out under operating leases is as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Buildings and properties	**3,861**	4,049
Motor vehicles and other equipment	**92**	87
	3,953	4,136

The Group leases out a number of properties (buildings and land-use-rights) and motor vehicles and other equipment under operating leases. The leases typically run for an initial period of 1 to 10 years, with options to renew the leases at which time all terms are renegotiated. None of the leases includes contingent rentals.

The undiscounted total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	**1,293**	1,848
After 1 year but within 5 years	**3,089**	2,856
After 5 years	**2,024**	3,399
	6,406	8,103

12 INVESTMENT PROPERTIES

	RMB'000
Cost:	
At 1 January and 31 December 2021	4,840
Accumulated amortisation:	
At 1 January 2021	2,641
Charge for the year	164
At 31 December 2021	2,805
Carrying amount:	
At 31 December 2021	2,035
Cost:	
At 1 January and 31 December 2022	**4,840**
Accumulated amortisation:	
At 1 January 2022	**2,805**
Charge for the year	**163**
At 31 December 2022	**2,968**
Carrying amount:	
At 31 December 2022	**1,872**

All of the investment properties are located in the PRC.

The total future undiscounted minimum lease payments receivable by the Group under non-cancellable operating leases is receivable as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	**392**	392
After 1 year but within 5 years	**274**	274
After 5 years	**102**	206
	768	872

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by subsidiaries	
Dandong Kuandian Petroleum Company Limited ("Dandong Kuandian") (丹東寬甸石油有限公司) *(Note (i))*	The PRC 17 August 1981	RMB30,000,000	55%	–	55%	Sale of refined oil by operating refuelling stations and petroleum storage facilities
Liaoning Oilfield Resource Products Distribution Company Limited ("Liaoning Oilfield") (遼寧油田物資產品經銷有限公司) *(Note (i))*	The PRC 8 December 1998	RMB30,000,000	55%	–	55%	Sale of refined oil by operating refuelling stations and petroleum storage facilities
Jilin Dongkun Gas Company Limited (吉林東昆燃氣有限公司) *(Note (i))*	The PRC 30 September 1999	RMB18,728,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限責任公司) *(Note (i))*	The PRC 19 September 2001	RMB8,000,000	51%	–	51%	Sale of natural gas to vehicular end-users by operating refuelling stations
Shenyang United Strength Investment Management Company Limited (瀋陽眾誠投資管理有限公司) *(Note (i))*	The PRC 19 July 2004	RMB10,300,000	78%	–	78%	Sale of refined oil by operating refuelling stations
Jilin Province Jieli Logistics Company Limited (吉林省捷利物流有限公司) *(Note (i))*	The PRC 21 April 2005	RMB5,800,000	100%	–	100%	Provision of transportation services
Changchun Sinogas Company Ltd. (長春中油潔能燃氣有限公司) *(Note (ii))*	The PRC 18 July 2005	RMB20,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Wuchang City Qinglian Gas Company Limited (五常市慶聯燃氣有限公司) *(Note (i))*	The PRC 18 April 2006	RMB3,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司) *(Note (i))*	The PRC 16 July 2007	RMB20,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Yanbian United Strength Energy Technology Development Company Limited (延邊眾誠能源技術開發有限公司) *(Note (i))*	The PRC 14 July 2008	RMB500,000	60%	–	60%	Development of energy technology

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Baishan United Strength Taixing Power Company Limited (白山眾誠泰興能源有限公司) *(Note (i))*	The PRC 26 May 2010	RMB500,000	100%	–	100%	Sale of refined oil by operating refuelling stations
Dandong United Strength Vessel Petroleum Company Limited (丹東眾誠船舶燃油有限公司) *(Note (i))*	The PRC 8 June 2010	RMB15,000,000	55%	–	55%	Sale of refined oil by operating refuelling stations
Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司) *(Note (i))*	The PRC 12 August 2010	RMB5,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Jilin Province Haotuo Petroleum Development and Usage Company Limited (吉林省昊拓石油開發利用有限公司) *(Note (i))*	The PRC 1 December 2010	RMB5,000,000	100%	–	100%	Sale of refined oil by operating refuelling stations
Wuchang United Strength Chengxi Petroleum Company Limited (五常眾誠城西石油有限公司) *(Note (i))*	The PRC 28 July 2011	RMB500,000	100%	–	100%	Sale of refined oil by operating refuelling stations
Meihekou City Yujia Petrochemical Company Limited (梅河口市譽嘉石化有限公司) *(Note (i))*	The PRC 27 December 2011	RMB10,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Yanbian Xinyuan Natural Gas Sales Company Limited (延邊鑫源天然氣銷售有限公司) *(Note (i))*	The PRC 29 May 2013	RMB5,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Shenyang Xinxin Transportation Company Limited (瀋陽欣鑫運輸有限公司) *(Note (i))*	The PRC 12 June 2014	RMB2,000,000	100%	–	100%	Provision of transportation services
Yanbian Jieli Logistics Company Limited (延邊捷利物流有限公司) *(Note (i))*	The PRC 13 April 2018	RMB50,000,000	100%	–	100%	Provision of transportation services
Sino Regent International Limited ("Sino Regent") *(Note (iii))*	Hong Kong 18 September 2018	1 share	51%	–	100%	Investment holding
Changchun United Strength Power Company Limited ("New United Strength") (長春眾誠能源有限公司) *(Note (ii))*	The PRC 6 November 2018	RMB10,000,000	100%	–	100%	Investment holding
Eternal Global Investment Limited ("Eternal Global") *(Note (iii))*	The British Virgin Islands 8 November 2018	USD10,000	100%	100%	–	Investment holding

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest: The Group's effective interest	Percentage of ownership interest: Held by the Company	Percentage of ownership interest: Held by subsidiaries	Principal activities
Dongfeng United Strength Business Management Company Limited (東豐縣眾誠企業管理有限公司) *(Note (i))*	The PRC 27 May 2021	Registered capital of RMB500,000 and paid-in capital of RMBNil	100%	–	100%	Sale of refined oil by operating refuelling stations
Gongzhuling City United Strength Petroleum Distribution Company Limited (公主嶺市眾誠連鎖石油經銷有限公司) *(Note (i))*	The PRC 09 November 2022	Registered capital of RMB10,000,000 and paid-in capital of RMBNil	100%	–	100%	Sale of refined oil by operating refuelling stations
Changchun United Strength Lvneng Charging Network Operation Company Limited (長春眾誠綠能充電網運營有限公司) *(Note (i))*	The PRC 25 August 2022	Registered capital of RMB500,000 and paid-in capital of RMBNil	100%	–	100%	Provision of electronic vehicle charging service

Notes:

(i) *The official names of these entities are in Chinese. The English translation of the names are for identification purpose only. These companies are limited liability companies established in the Chinese Mainland.*

(ii) *The official names of these entities are in Chinese. The English translation of the names are for identification purpose only. These companies are wholly foreign owned enterprises established in the Chinese Mainland.*

(iii) *These companies are limited liability companies incorporated outside of the Chinese Mainland.*

13 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the combined financial information relating to subsidiaries of the Group with material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
NCI percentage:		
– Sino Regent	**49%**	49%
– Liaoning Oilfield	**45%**	45%
– Dandong Kuandian	**45%**	45%
Non-current assets	**58,533**	66,620
Current assets	**284,676**	254,266
Current liabilities	**274,429**	207,978
Non-current liabilities	**5,585**	56,174
Net assets	**63,195**	56,734
Net assets attributable to NCI	**28,177**	25,329

	2022 RMB'000	2021 RMB'000
Revenue	**3,138,536**	2,750,391
Profit and total comprehensive income for the year	**7,202**	12,603
Profit and total comprehensive income attributable to NCI	**2,964**	5,764

14 INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of establishment and business	Particulars of registered and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China Travel Service International Financial Leasing Company Limited ("CTS Financial Leasing") (中旅融資租賃有限公司)*	The PRC	Registered capital of RMB500,000,000 and paid-in capital of RMB181,100,000	30%	–	30%	Provision of financial leasing services

* *The official name of this entity is in Chinese. The English translation of the name is for identification purpose only. This company is a limited liability company established in the PRC.*

CTS Financial Leasing is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of CTS Financial Leasing, including fair value adjustments and any differences with the Group's accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, is disclosed below:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Gross amounts of CTS Financial Leasing's		
Non-current assets	**262,997**	209,561
Current assets	**274,270**	196,853
Current liabilities	**(91,972)**	(46,151)
Non-current liabilities	**(175,378)**	(114,004)
Equity	**269,917**	246,259
Included in the above assets and liabilities:		
Cash and cash equivalents	**103,606**	83,739
Non-current bank and other loans	**170,779**	102,384

14 INTEREST IN A JOINT VENTURE (continued)

	2022 RMB'000	2021 RMB'000
Revenue	**23,258**	25,086
Net profit	**825**	3,343

	2022 RMB'000	2021 RMB'000
Carrying amount of interest in a joint venture		
At 1 January	**73,878**	75,028
Share of profits	**248**	1,003
Impairment loss *(Note (i))*	**(14,064)**	–
Exchange adjustments	**6,849**	(2,153)
At 31 December	**66,911**	73,878

Note:

(i) The Group assessed at the end of each reporting period whether there is any indication that interest in a joint venture may be impaired. If any such indication exists, the Group estimated the recoverable amount of the investment. As at 31 December 2022, as a result of expansion of business scale being lower than expectation, the recoverable amount was lower than the carrying amount of CTS Financial Leasing, and an impairment loss of RMB14,064,000 was recognised.

The recoverable amount of the interest in a joint venture is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by CTS Financial Leasing covering a five-year period. These cash flow projections adopted annual growth rates ranging from 8% to 16%, which are based on CTS Financial Leasing's historical experience with the business and adjusted for other factors that are specific to the interest in a joint venture. Cash flows beyond the five-year period are extrapolated with no long-term growth, which is based on the relevant industry growth forecasts. The cash flows are discounted using a discount rate of 14%. The discount rates used are pre-tax and reflect specific risks relating to the interest in a joint venture.

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Refined oil	**129,865**	75,454
Gases	**849**	724
Spare parts	**5,553**	3,847
	136,267	80,025

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss during the year is as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	**5,670,377**	5,198,011

16 TRADE AND BILLS RECEIVABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables, net of loss allowance, due from:		
– related parties	**16**	–
– third parties	**67,975**	35,270
	67,991	35,270
Bills receivables	**–**	3,076
	67,991	38,346

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

16 TRADE AND BILLS RECEIVABLES (continued)

(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 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	**50,870**	34,392
1 to 3 months	**14,479**	2,507
3 to 6 months	**1,885**	1,127
Over 6 months	**757**	320
	67,991	38,346

Further details on the Group's credit policy and credit risk are set out in Note 25(a).

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Prepayments for purchase of inventories from *(Note (i))*:		
– related parties	**215,806**	95,574
– third parties	**336,892**	482,671
	552,698	578,245
Deposits to suppliers	**5,941**	6,689
Advances to staff	**2,227**	2,696
VAT recoverable	**13,819**	5,611
Others	**11,627**	7,399
Financial assets measured at amortised cost	**33,614**	22,395
	586,312	600,640

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

Note:

(i) In a view to minimise the effect of possible rising crude oil prices and shortage of crude oil 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 these financial statements, 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 2022.

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Cash at bank and on hand	**60,297**	53,574
Pledged and restricted bank deposits *(Note (i))*	**78,350**	48,200
Cash at bank and on hand in the consolidated statement of financial position	**138,647**	101,774
Less: pledged and restricted bank deposits	**(78,350)**	(48,200)
Cash and cash equivalents in the consolidated cash flow statement	**60,297**	53,574

Notes:

(i) The balances were pledged for bank and other loans of and bills issued by the Group (see Note 19(d)).

(ii) The Group's operations in the PRC (excluding Hong Kong) conducted their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities from financing activities are liabilities for which cash flow were, or future cash flow will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 *(Note 19)*	Interest payable RMB'000 *(Note 21)*	Dividends payable RMB'000 *(Note 21)*	Lease liabilities RMB'000 *(Note 22)*	Total RMB'000
At 1 January 2022	253,078	–	–	431,390	684,468
Changes from financing cash flows:					
Proceeds from bank and other loans	262,300	–	–	–	262,300
Repayment of bank and other loans	(216,453)	–	–	–	(216,453)
Capital element of lease rentals paid	–	–	–	(46,505)	(46,505)
Interest element of lease rentals paid	–	–	–	(27,689)	(27,689)
Dividends paid to equity shareholders of the Company	–	–	(8,176)	–	(8,176)
Distributions to non-controlling equity holder of a subsidiary	–	–	(91)	–	(91)
Interest paid	–	(9,490)	–	–	(9,490)
Total changes from financing cash flows	45,847	(9,490)	(8,267)	(74,194)	(46,104)
Other changes:					
Net decrease in lease liabilities during the year	–	–	–	(32,013)	(32,013)
Dividends approved in respect of the previous year	–	–	8,176	–	8,176
Distributions to non-controlling equity holder of a subsidiary	–	–	91	–	91
Finance costs *(Note 6(a))*	–	9,490	–	26,778	36,268
Total other changes	–	9,490	8,267	(5,235)	12,522
At 31 December 2022	298,925	–	–	351,961	650,886

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other loans RMB'000 *(Note 19)*	Interest payable RMB'000 *(Note 21)*	Dividends payable RMB'000 *(Note 21)*	Lease liabilities RMB'000 *(Note 22)*	Amounts due to related parties RMB'000 *(Note 21)*	Total RMB'000
At 1 January 2021	242,056	–	–	362,232	51,984	656,272
Changes from financing cash flows:						
Proceeds from bank and other loans	204,000	–	–	–	–	204,000
Repayment of bank and other loans	(192,978)	–	–	–	–	(192,978)
Capital element of lease rentals paid	–	–	–	(10,920)	–	(10,920)
Interest element of lease rentals paid	–	–	–	(4,445)	–	(4,445)
Dividends paid to equity shareholders of the Company	–	–	(16,832)	–	–	(16,832)
Repayment of advances from a related party *(Note 27(a))*	–	–	–	–	(51,984)	(51,984)
Interest paid	–	(12,934)	–	–	–	(12,934)
Total changes from financing cash flows	11,022	(12,934)	(16,832)	(15,365)	(51,984)	(86,093)
Other changes:						
Net increase in lease liabilities during the year	–	–	–	55,555	–	55,555
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	–	16,832	–	–	16,832
Finance costs *(Note 6(a))*	–	12,934	–	28,968	–	41,902
Total other changes	–	12,934	16,832	84,523	–	114,289
At 31 December 2021	253,078	–	–	431,390	–	684,468

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (continued)

(c) Total cash outflows for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows		
– Lease rentals paid	**1,679**	6,344
Within investing cash flows		
– Payments for purchase of land-use-rights	**–**	6,459
Within financing cash flows		
– Lease rentals paid	**74,194**	15,365
	75,873	28,168

19 BANK AND OTHER LOANS

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Bank loans:		
Secured by property, plant and equipment, investment properties and/or restricted bank deposits of the Group, and/or guaranteed by a subsidiary or related parties *(Note 19(d))*	**203,350**	103,000
Secured by trade and bills receivables of the Group	**–**	50,000
Guaranteed by a subsidiary	**2,000**	2,000
Guaranteed by a third party	**47,950**	49,000
	253,300	204,000
Add: current portion of long-term bank and other loans *(Note 19(b))*	**45,625**	3,453
	298,925	207,453

19 BANK AND OTHER LOANS (continued)

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Bank and other loans:		
Secured by property, plant and equipment and/or investment properties of the Group, and/or guaranteed by a subsidiary or related parties *(Note 19(d))*	**45,625**	49,078
Less: current portion of long-term bank and other loans *(Note 19(a))*	**(45,625)**	(3,453)
	–	45,625

(c) The Group's long-term bank and other loans are repayable as follow:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	**45,625**	3,453
After 1 year but within 2 years	**–**	45,625
	45,625	49,078

19 BANK AND OTHER LOANS (continued)

(d) Certain of the Group's bank and other loans and banking facilities are secured by the following assets of the Group:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Property, plant and equipment *(Note 11)*	**34,866**	9,201
Investment properties *(Note 12)*	**1,872**	–
Restricted bank deposits *(Note 18(a))*	**78,350**	48,200
	115,088	57,401

(e) At 31 December 2022, bank loans and bank acceptance bills facilities of the Group amounted to RMB150,000,000 (2021: RMB128,000,000), and were utilised to the extent of RMB144,950,000 (2021: RMB128,000,000). These facilities are secured by the Group's property, plant and equipment and/or guaranteed by Mr Zhao Jinmin and his spouse.

(f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 25(b). At 31 December 2022, none of the covenants relating to the bank loans had been breached (2021: None).

20 TRADE AND BILLS PAYABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables due to:		
– related parties	5,433	114
– third parties	3,468	68,833
	8,901	68,947
Bills payables	55,000	45,000
	63,901	113,947

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 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	8,901	33,703
1 to 3 months	30,000	63,465
Over 3 months	25,000	16,779
	63,901	113,947

21 ACCRUED EXPENSES, OTHER PAYABLES AND CONTRACT LIABILITIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Payables for staff related costs	**9,308**	11,873
Deposits from customers	**1,316**	1,692
Payables for acquisitions of property, plant and equipment	**4,428**	4,578
Other taxes payables	**2,862**	3,545
Payables to co-operative refuelling stations *(Note (i))*	**61,140**	38,001
Others	**29,638**	19,447
Financial liabilities measured at amortised cost	**108,692**	79,136
Contract liabilities – receipts in advance in connection with wholesale of refined oil due to:		
– related parties	**8,732**	1,194
– third parties	**137,056**	79,589
	145,788	80,783
Contract liabilities – vehicular end-users' prepaid cards for consumption at refuelling stations	**104,135**	93,735
	249,923	174,518
	358,615	253,654

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

Note:

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

22 LEASE LIABILITIES

At 31 December 2022, the Group's lease liabilities are repayable as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	**87,229**	124,389
After 1 year but within 2 years	**32,985**	65,326
After 2 years but within 5 years	**118,259**	141,846
After 5 years	**113,488**	99,829
	264,732	307,001
	351,961	431,390
Lease liabilities due to:		
– related parties	**302,620**	341,317
– third parties	**49,341**	90,073
	351,961	431,390

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, through the acquisition of the entire issued share capital of Eternal Global (the "Acquisition"). On Completion Date and as part of the Acquisition, entrusted agreements (the "Entrusted Management Agreement") were also entered into between 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 entrustment fee under the Entrusted Management Agreement is for a period of ten years. The Entrusted Management Agreement and related entrustment fees are accounted for as leases in accordance to the accounting policies set out in Note 2(h).

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2022 RMB'000	2021 RMB'000
Income tax payable at 1 January, net	**34,567**	25,295
Provision for the year *(Note 7(a))*	**27,445**	71,014
Income tax paid	**(55,492)**	(61,742)
Income tax payable at 31 December, net	**6,520**	34,567
Representing:		
Income tax payable	**10,300**	38,149
Income tax recoverable	**(3,780)**	(3,582)
	6,520	34,567

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets				Liabilities		
	Unused tax losses RMB'000	Credit loss allowance RMB'000	Impairment loss on property, plant and equipment RMB'000	Depreciation and finance costs arising from capitalisation of leases RMB'000	Fair value adjustments on property, plant and equipment and subsequent depreciation RMB'000	Retained profits to be distributed RMB'000	Net RMB'000
At 1 January 2021	4,097	1,104	94	1,547	(3,401)	(2,000)	1,441
(Charged)/credited to the consolidated statement of profit or loss *(Note 7(a))*	(1,408)	(1,014)	–	2,624	112	500	814
At 31 December 2021	2,689	90	94	4,171	(3,289)	(1,500)	2,255
At 1 January 2022	**2,689**	**90**	**94**	**4,171**	**(3,289)**	**(1,500)**	**2,255**
Credited/(charged) to the consolidated statement of profit or loss *(Note 7(a))*	**5,482**	**542**	**(15)**	**2,854**	**112**	**549**	**9,524**
At 31 December 2022	**8,171**	**632**	**79**	**7,025**	**(3,177)**	**(951)**	**11,779**

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised (continued)

Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**15,907**	7,751
Deferred tax liabilities recognised in the consolidated statement of financial position	**(4,128)**	(5,496)
	11,779	2,255

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain deductible temporary differences of RMB12,683,000 (2021: RMB10,323,000) as it is not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdiction and entities. The cumulative tax losses comprised tax losses arose from various years, and each year's tax loss can only be carried forward for five years.

(d) Deferred tax liabilities not recognised

At 31 December 2022, taxable temporary differences relating to the undistributed profits of the subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to RMB403,828,000 (2021: RMB328,786,000), where deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 *(Note 24(c))*	Share premium RMB'000 *(Note 24(d)(i))*	Exchange reserve RMB'000 *(Note 24(d)(iv))*	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2021	32,293	719,491	(35,040)	(33,864)	682,880
Changes in equity for 2021:					
Profit for the year	–	–	–	53,114	53,114
Other comprehensive income for the year	–	–	(19,401)	–	(19,401)
Total comprehensive income	–	–	(19,401)	53,114	33,713
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	–	–	(16,832)	(16,832)
At 31 December 2021 and 1 January 2022	**32,293**	**719,491**	**(54,441)**	**2,418**	**699,761**
Changes in equity for 2022:					
Loss for the year	**–**	**–**	**–**	**(9,678)**	**(9,678)**
Other comprehensive income for the year	**–**	**–**	**60,929**	**–**	**60,929**
Total comprehensive income	**–**	**–**	**60,929**	**(9,678)**	**51,251**
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	**–**	**–**	**–**	**(8,176)**	**(8,176)**
At 31 December 2022	**32,293**	**719,491**	**6,488**	**(15,436)**	**742,836**

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the end of the reporting period of HK$Nil per ordinary share (2021: HK$0.0267 per ordinary share)	–	8,176

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

	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0267 per ordinary share (2021: HK$0.0534 per ordinary share)	**8,176**	16,832

(c) Share capital

	2022		2021	
	No. of shares '000	HK$'000	No. of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**800,000**	**80,000**	800,000	80,000

	2022		2021	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**374,502**	**32,293**	374,502	32,293

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of 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.

(ii) Other reserve

The balance of other reserve at the end of each reporting period represented the aggregate of the differences between the considerations paid and net assets acquired from business combinations under common control, acquisitions of non-controlling interests, the reorganisation took place prior to the listing of the Company's shares on the Stock Exchange, and/or the difference between the consideration and the net assets deemed to be distributed by the Group in business combinations under common control.

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established in the PRC (excluding Hong Kong) required to transfer 10% of their net profits (if any) to the statutory reserve until the reserve reaches 50% of the respective registered capital of these subsidiaries. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase paid-up capital of the respective subsidiaries and is non-distributable other than in liquidation.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(t).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables are limited because the counterparties are banks and financial institutions with high credit standings, which the Group considers to represent low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of the customer or debtor rather than the industry in which the customers or debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. At 31 December 2022, 66% (2021: 26%) and 76% (2021: 32%) of the trade receivables were due from the Group's largest debtor and the five largest debtors, respectively.

Individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates. The Group's customers include individual and corporate customers, and cash before delivery is generally required for all individual customers, where credit terms of one month are granted to corporate customers. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2022:

	At 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.0%	51,384	514
1 month past due	3.0%	14,927	448
1 to 3 months past due	20.8%	2,381	496
3 to 6 months past due	57.6%	1,784	1,027
More than 6 months past due	100.0%	59	59
		70,535	2,544

	At 31 December 2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.0%	34,739	347
1 month past due	3.0%	905	27
		35,644	374

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	2022 RMB'000	2021 RMB'000
Balance at 1 January	374	4,449
Impairment loss/(gain) during the year	2,170	(4,075)
Balance at 31 December	2,544	374

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	At 31 December 2022 Contractual undiscounted cash outflow						At 31 December 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank and other loans	308,231	–	–	–	308,231	298,925	214,392	46,497	–	–	260,889	253,078
Trade and bills payables	63,901	–	–	–	63,901	63,901	113,947	–	–	–	113,947	113,947
Accrued expenses and other payables measured at amortised cost	108,692	–	–	–	108,692	108,692	79,136	–	–	–	79,136	79,136
Lease liabilities	104,300	54,437	163,498	129,838	452,073	351,961	133,188	74,924	185,832	188,709	582,653	431,390
	585,124	54,437	163,498	129,838	932,897	823,479	540,663	121,421	185,832	188,709	1,036,625	877,551

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing bank borrowings and lease liabilities. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Fixed rate borrowings:		
Bank and other loans	298,925	253,078
Lease liabilities	351,961	431,390
	650,886	684,468

(d) Fair value measurement of financial instruments

Fair value of financial instruments carried at other than fair value

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2022 and 2021.

26 COMMITMENTS

Capital commitments outstanding at 31 December 2022 not provided for in the consolidated financial statements were as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Commitments in respect of acquisitions of property, plant and equipment:		
– Contracted for	**287**	–
– Authorised but not contracted for	**14,307**	4,612
	14,594	4,612

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with the equity shareholders of the Company, companies controlled by the equity shareholders of the Company and their close family members

	2022 RMB'000	2021 RMB'000
Sales of goods	**6,073**	48,847
Provision of transportation services	**19,568**	15,558
Purchases of goods	**1,582,975**	1,144,997
Rental income from operating leases	**297**	515
Operating lease charges (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	**53,763**	46,532
Operating lease charges	**783**	1,962
Service fee paid for other services received	**1,877**	629
Net decrease in amounts due to related parties	**–**	51,984
Guarantees received for the Group's bank and other loans at the end of the reporting period *(Note 19(b))*	**20,000**	20,000
Guarantees received for the Group's banking facilities at the end of the reporting period *(Note 19(e))*	**30,000**	30,000

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	6,354	5,609
Contributions to defined contribution retirement plans	275	94
	6,629	5,703

Total remuneration is included in "staff costs" in Note 6(b).

(c) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions included in Note 27(a) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section Connected Transactions of the Directors' Report or those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

28 COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Interests in subsidiaries	*13*	**716,261**	656,649
Right-of-use assets		**2,731**	5,092
		718,992	661,741
Current assets			
Dividends receivable		**18,731**	28,500
Cash and cash equivalents		**8,165**	14,593
		26,896	43,093
Current liabilities			
Other payables		**63**	9
Lease liabilities		**2,371**	2,368
		2,434	2,377
Net current assets		**24,462**	40,716
Total assets less current liabilities		**743,454**	702,457
Non-current liabilities			
Lease liabilities		**618**	2,696
NET ASSETS		**742,836**	699,761
CAPITAL AND RESERVES	*24*		
Share capital		**32,293**	32,293
Reserves		**710,543**	667,468
TOTAL EQUITY		**742,836**	699,761

Approved and authorised for issue by the board of directors on 31 March 2023.

Zhao Jinmin
Chairman

Liu Yingwu
Director

(Expressed in RMB unless otherwise indicated)

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate holding company and ultimate controlling party of the Company at 31 December 2022 to be Golden Truth Holdings Limited, which is incorporated in the British Virgin Islands, and Mr Zhao Jinmin, respectively. Golden Truth Holdings Limited does not produce financial statements available for public use.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the year ended 31 December 2022 is extracted from the financial statements in this annual report.

RESULTS

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000 Restated
Revenue	**6,089,366**	5,830,081	3,481,322	3,953,293	348,166
Profit before taxation	**36,872**	252,124	170,814	191,534	58,493
Income tax	**(17,921)**	(70,200)	(46,451)	(53,097)	(14,946)
Profit for the year	**18,951**	181,924	124,363	138,437	43,547
Attributable to:					
Equity shareholders of the Company	**16,530**	176,620	123,283	135,645	42,971
Non-controlling interests	**2,421**	5,304	1,080	2,792	576
Profit for the year	**18,951**	181,924	124,363	138,437	43,547

ASSETS AND LIABILITIES

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000 Restated
Total assets	**1,555,454**	1,544,375	1,056,037	323,322	300,550
Total liabilities	**1,087,830**	1,095,714	784,111	67,854	70,142
	467,624	448,661	271,926	255,468	230,408
Total equity attributable to					
Equity shareholders of the Company	**428,684**	411,804	241,305	248,820	223,871
Non-controlling interests	**38,940**	36,857	30,621	6,648	6,537
	467,624	448,661	271,926	255,468	230,408