UNITED STRENGTH POWER HOLDINGS LIMITED
眾誠能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2337)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND CHANGE IN USE OF PROCEEDS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 21% to RMB7,346.9 million (2022: approximately RMB6,089.4 million).
- Profit attributable to equity shareholders of the Company increased by approximately 139% to RMB39.5 million (2022: approximately RMB16.5 million).
- Basic earnings per share amounted to RMB0.11 (2022: RMB0.04).
- The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), hereby announces the audited consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for 2022 as follows:

Consolidated statement of profit or loss

For the year ended 31 December 2023
*(Expressed in Renminbi ("**RMB**"))*

	Note	2023 RMB'000	2022 RMB'000
Revenue	*3*	**7,346,895**	6,089,366
Cost of sales		**(6,924,632)**	(5,696,264)
Gross profit	*3(b)*	**422,263**	393,102
Other income	*4*	**10,053**	6,514
Staff costs	*5(b)*	**(158,532)**	(154,857)
Depreciation expenses	*5(c)*	**(71,702)**	(77,471)
Impairment reversal/(loss) on trade receivables		**2,147**	(2,170)
Other operating expenses		**(90,631)**	(78,162)
Profit from operations		**113,598**	86,956
Share of results and impairment loss of an associate		**(15,135)**	(13,816)
Finance costs	*5(a)*	**(34,390)**	(36,268)
Profit before taxation	*5*	**64,073**	36,872
Income tax	*6*	**(20,769)**	(17,921)
Profit for the year		**43,304**	18,951
Attributable to:			
Equity shareholders of the Company		**39,489**	16,530
Non-controlling interests		**3,815**	2,421
Profit for the year		**43,304**	18,951
Earnings per share			
– Basic and diluted *(RMB)*	*7*	**0.11**	0.04

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023
(Expressed in RMB)

	2023 *RMB'000*	2022 *RMB'000*
Profit for the year	**43,304**	18,951
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements denominated in foreign currencies into presentation currency of the Group	**1,284**	8,279
Total comprehensive income for the year	**44,588**	27,230
Attributable to:		
Equity shareholders of the Company	**40,819**	25,056
Non-controlling interests	**3,769**	2,174
Total comprehensive income for the year	**44,588**	27,230

Consolidated statement of financial position
At 31 December 2023
(Expressed in RMB)

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		**488,498**	537,767
Investment properties		**1,711**	1,872
Interest in an associate		**52,185**	66,911
Deferred tax assets		**39,237**	15,907
		581,631	622,457
Current assets			
Inventories		**185,439**	136,267
Trade receivables	*8*	**34,258**	67,991
Prepayments, deposits and other receivables	*9*	**948,828**	586,312
Income tax recoverable		**7,573**	3,780
Cash at bank and on hand		**156,867**	138,647
		1,332,965	932,997
Current liabilities			
Bank and other loans		**351,778**	298,925
Trade payables	*10*	**27,160**	63,901
Accrued expenses, other payables and contract liabilities	*11*	**665,671**	358,615
Lease liabilities	*12*	**82,317**	87,229
Income tax payable		**13,768**	10,300
		1,140,694	818,970
Net current assets		**192,271**	114,027
Total assets less current liabilities		**773,902**	736,484

Consolidated statement of financial position *(continued)*
At 31 December 2023
(Expressed in RMB)

	Note	**At 31 December 2023** ***RMB'000***	At 31 December 2022 *RMB'000*
Non-current liabilities			
Bank and other loans		**42,000**	–
Lease liabilities	*12*	**216,328**	264,732
Deferred tax liabilities		**3,467**	4,128
		261,795	268,860
NET ASSETS		**512,107**	467,624
CAPITAL AND RESERVES			
Share capital		**32,293**	32,293
Reserves		**437,210**	396,391
Total equity attributable to equity shareholders of the Company		**469,503**	428,684
Non-controlling interests		**42,604**	38,940
TOTAL EQUITY		**512,107**	467,624

Notes

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

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

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

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as 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**"). Material accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group's interest in an associate.

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

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

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

(c) Changes in accounting policies

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, *Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 23(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	2023	2022
	RMB'000	*RMB'000*
Sales of refined oil and natural gas	**7,278,898**	6,031,596
Revenue from the provision of transportation services	**67,692**	57,722
Revenue from the trading of compressed natural gas ("**CNG**") and liquefied petroleum gas ("**LPG**")	**305**	48
	7,346,895	6,089,366

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue in 2023 (2022: Nil).

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

(b) Segment reporting

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

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

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

Disaggregation of revenue from contracts with customers recognised at a point in time, 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.

	2023			
	Sale of refined oil	**Sale of natural gas**	**Provision of transportation services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**7,011,213**	**267,989**	**67,693**	**7,346,895**
Inter-segment revenue	**29,889**	**–**	**59,617**	**89,506**
Reportable segment revenue	**7,041,102**	**267,989**	**127,310**	**7,436,401**
Reportable segment gross profit	**284,672**	**59,886**	**77,705**	**422,263**

	2022			
	Sale of refined oil	Sale of natural gas	Provision of transportation services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**7,436,401**	6,162,120
Elimination of inter-segment revenue	**(89,506)**	(72,754)
Consolidated revenue *(Note 3(a))*	**7,346,895**	6,089,366
Profit		
Reportable segment gross profit	**422,263**	393,102
Other income	**10,053**	6,514
Staff costs	**(158,532)**	(154,857)
Depreciation expenses	**(71,702)**	(77,471)
Impairment reversal/(loss) on trade receivables	**2,147**	(2,170)
Other operating expenses	**(90,631)**	(78,162)
Share of results and impairment loss of an associate	**(15,135)**	(13,816)
Finance costs	**(34,390)**	(36,268)
Consolidated profit before taxation	**64,073**	36,872

(iii) Geographic information

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

4. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants	**1,863**	2,345
Rental income from operating leases	**4,432**	2,900
Interest income	**1,190**	657
Net gain on disposal of subsidiaries	**1,300**	–
Net gain/(loss) on disposal of property, plant and equipment	**164**	(97)
Net foreign exchange gain	**–**	2
Others	**1,104**	707
	10,053	6,514

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on:		
– bank and other loans	**12,228**	9,490
– lease liabilities	**22,162**	26,778
	34,390	36,268

No borrowing costs have been capitalised during the year ended 31 December 2023 (2022: RMBNil).

(b) Staff costs:

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**141,726**	140,015
Contributions to defined contribution retirement plans	**16,806**	14,842
	158,532	154,857

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 16% 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 obligation for payment of other retirement benefits beyond the above contributions. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(c) Other items:

	2023 *RMB'000*	2022 *RMB'000*
Depreciation expenses:		
– owned property, plant and equipment	**27,106**	28,721
– right-of-use assets	**44,435**	48,587
– investment properties	**161**	163
	71,702	77,471
Operating lease charges relating to short-term leases and leases of low-value-assets	**2,428**	1,679
Auditors' remuneration – audit services	**5,800**	5,800
Cost of inventories	**6,904,915**	5,670,377

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

	2023 *RMB'000*	2022 *RMB'000*
Current taxation		
Provision for the year	**44,760**	27,445
Deferred taxation		
Origination and reversal of temporary differences	**(23,991)**	(9,524)
	20,769	17,921

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2023 is based on the profit attributable to ordinary equity shareholders of the Company of RMB39,489,000 (2022: RMB16,530,000) and the weighted average of 374,502,000 (2022: 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 2023 and 2022.

8. TRADE RECEIVABLES

	At 31 December 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Trade receivables, net of loss allowance, due from:		
– related parties	**1,548**	16
– third parties	**32,710**	67,975
	34,258	67,991

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

(a) Ageing analysis

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

	At 31 December 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Within 1 month	**33,643**	50,870
1 to 3 months	**552**	14,479
3 to 6 months	**63**	1,885
Over 6 months	**–**	757
	34,258	67,991

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2023	At 31 December 2022
	RMB'000	*RMB'000*
Prepayments for purchase of inventories from *(Note (i))*:		
– related parties	**386,291**	215,806
– third parties	**523,741**	336,892
	910,032	552,698
Deposits to suppliers	**5,179**	5,941
Advances to staff	**977**	2,227
VAT recoverable	**22,133**	13,819
Others	**10,507**	11,627
Financial assets measured at amortised cost	**38,796**	33,614
	948,828	586,312

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

10. TRADE AND BILLS PAYABLES

	At 31 December 2023	At 31 December 2022
	RMB'000	*RMB'000*
Trade payables due to:		
– related parties	**–**	5,433
– third parties	**7,160**	3,468
	7,160	8,901
Bills payables	**20,000**	55,000
	27,160	63,901

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 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Within 1 month	**6,730**	8,901
1 to 3 months	**420**	30,000
Over 3 months	**20,010**	25,000
	27,160	63,901

11. ACCRUED EXPENSES, OTHER PAYABLES AND CONTRACT LIABILITIES

	At 31 December 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Payables for staff related costs	**7,027**	9,308
Deposits from customers	**1,532**	1,316
Payables for acquisitions of property, plant and equipment	**2,652**	4,428
Other taxes payables	**3,862**	2,862
Amount due to a related party *(Note (i))*	**348,438**	–
Payables to co-operative refuelling stations *(Note (ii))*	**25,889**	61,140
Others	**18,981**	29,638
Financial liabilities measured at amortised cost	**408,381**	108,692
Contract liabilities – receipts in advance in connection with wholesale of refined oil due to:		
– related parties	**7,516**	8,732
– third parties	**135,409**	137,056
	142,925	145,788
Contract liabilities – vehicular end-users' prepaid cards for consumption at refuelling stations	**114,365**	104,135
	257,290	249,923
	665,671	358,615

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) Changchun Yitonghe Petroleum Distribution Company Limited ("**Changchun Yitonghe**") settled payments to suppliers on behalf of the Group. These payments were in relation to purchase of refined oil for operation of petroleum refuelling stations and petroleum storage facilities, which are owned by Changchun Yitonghe and operated by the Group according to the Entrusted Management Agreement. During the year ended 31 December 2023, the payments, in aggregated amounted to RMB1,817,175,000 (2022: RMB854,710,000), including payments by bank acceptance notes of RMB1,095,110,000 (2022: RMB494,800,000) issued by Changchun Yitonghe. As at 31 December 2023, RMB348,438,000 (31 December 2022: RMBNil) was outstanding and subject to repayment by the Group to Changchun Yitonghe.

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

12. LEASE LIABILITIES

At 31 December 2023, the Group's lease liabilities are repayable as follows:

	At 31 December 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Within 1 year	**82,317**	87,229
After 1 year but within 2 years	**38,782**	32,985
After 2 years but within 5 years	**108,123**	118,259
After 5 years	**69,423**	113,488
	216,328	264,732
	298,645	351,961
Lease liabilities due to:		
– related parties	**273,082**	302,620
– third parties	**25,563**	49,341
	298,645	351,961

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 Investments Limited ("**Eternal Global**") (the "**Acquisition**"). On Completion Date and as part of the Acquisition, entrusted agreements (the "**Entrusted Management Agreement**") were also entered into between Changchun United Strength Power Company Limited ("**New United Strength**"), a wholly owned subsidiary of Eternal Global, and Changchun Yitonghe Petroleum Distribution Company Limited ("**Changchun Yitonghe**"), a company controlled by Mr. Zhao Jinmin and not part of the Acquisition, pursuant to which Changchun Yitonghe as the entrusting party entrusted New United Strength as the operating party with an exclusive right to use all the assets, property, land and equipment necessary for the operation and management of the petroleum refuelling stations and petroleum storage facilities owned by Changchun Yitonghe. The entrustment fee under the Entrusted Management Agreement is for a period of ten years.

13. DIVIDENDS

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

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil per ordinary share (2022: HK$0.0267 per ordinary share)	**–**	8,176

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In 2023, global natural gas prices continued to decline due to the expansion of supply and weak demand. According to the World Economic Outlook released by the International Monetary Fund (IMF), the global economic growth was slow and uneven in 2023, with increasing divergence among countries. Developed economies experienced more noticeable economic slowdown compared to emerging markets and developing countries. Additionally, major consumers ranging from chemical companies to steel manufacturers were affected by the record-breaking surge in energy prices last year, prompting a shift in production towards alternative energy sources such as wind and solar power.

In the domestic market, the National Bureau of Statistics announced that China's gross domestic product (GDP) exceeded RMB126 trillion in 2023, representing a year-on-year growth of 5.2%. As the production and daily life gradually returned to normal, the improving economic situation led to increased demand for natural gas in sectors such as industry, commerce, transportation, and power generation. The domestic LNG market also witnessed a dual increase in supply and demand. From the supply side, according to data from the National Bureau of Statistics, the natural gas production of industrial enterprises with an annual turnover of over a certain threshold reached 229.7 billion cubic meters in 2023, representing a year-on-year increase of 5.8%. Natural gas imports amounted to 119.97 million tons, marking a year-on-year increase of 9.9%. From January to December, the apparent consumption of natural gas in China reached 394.53 billion cubic meters, showing a year-on-year growth of 7.6%. Additionally, according to customs data, China has surpassed Japan to become the world's largest importer of LNG. The northern region entering the heating season has also driven rapid growth in natural gas consumption. In Jilin Province, one of the main operational regions for the Group, data from the Jilin Provincial Energy Bureau indicated that natural gas consumption from January to December amounted to 3.747 billion cubic meters, representing a year-on-year decrease of 4.70%. Coal production reached 8.8931 million tons, showing a year-on-year decrease of 5.97%.

In 2023, the natural gas industry in China maintained a rapid growth momentum but faced multiple challenges such as the substitution of new energy sources and supply-demand balance. In the automotive industry closely related to the Group's main business, the new energy vehicle segment continued to experience rapid growth. According to statistical analysis data released by the China Association of Automobile Manufacturers, in 2023, China's cumulative automobile production and sales reached 30.161 million vehicles and 30.094 million vehicles, respectively, representing a year-on-year increase of 11.6% and 12%, respectively. The production and sales volume reached a historic high. In particular, in the passenger vehicle market, according to data from the China Passenger Car Association, the cumulative retail sales of passenger vehicles in China reached 21.699 million vehicles, representing a year-on-year growth of 5.6%. The cumulative retail sales of new energy passenger vehicles reached 7.736 million vehicles, representing a year-on-year growth of 36.2%. The penetration rate for the whole year was 35.7%, an increase of 8.1 percentage points.

In the oil market, according to data released by the International Energy Agency (IEA) in January, global oil demand increased by 2.3 million barrels per day in 2023. The growth rate of oil demand in the fourth quarter slowed down compared to the third quarter, reflecting a weakening economic growth in major economies under the environment of rising interest rates. On the supply side, the United States has continued to exceed expectations in oil production, coupled with record-breaking output from Brazil and Guyana, as well as a significant increase in Iran's production, driving global production growth in 2023. In China, according to data from the National Bureau of Statistics, the crude oil production of industrial enterprises with an annual turnover of over a certain threshold reached 208.91 million tons in 2023, representing a year-on-year increase of 2.0%. Crude oil imports amounted to 563.99 million tons, representing a year-on-year increase of 11.0%.

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 81 refuelling stations in Northeastern China as at 31 December 2023. 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 2023:

City, Province	**Gas refuelling stations**	**Petroleum refuelling stations**	**Mixed (gas and petroleum) refuelling stations**	**Total number of stations**
Changchun City, Jilin Province	4	21	7	32
Jilin City, Jilin Province	2	5	–	7
Liaoyuan City, Jilin Province	–	1	1	2
Helong City, Jilin Province	1	–	–	1
Yanji City, Jilin Province	4	–	–	4
Wangqing, Jilin Province	1	–	–	1
Meihekou, Jilin Province	1	1	–	2
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
Tonghua City, Jilin Province	–	1	–	1
Total station(s) in Jilin Province	**16**	**34**	**9**	**59**

City, Province	Gas refuelling stations	Petroleum refuelling stations	Mixed (gas and petroleum) refuelling stations	Total number of stations
Wuchang City, Heilongjiang Province	1	–	–	1
Total station(s) in Heilongjiang Province	**1**	**–**	**–**	**1**
Dandong City, Liaoning Province	–	13	1	14
Benxi City, Liaoning Province	–	1	–	1
Anshan City, Liaoning Province	–	5	–	5
Dalian City, Liaoning Province	–	1	–	1
Total station(s) in Liaoning Province	**–**	**20**	**1**	**21**
Total:	**17**	**54**	**10**	**81**

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 2023, 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 2023, the Group recorded sales of refined oil income of approximately RMB7,011.2 million, representing a year-on-year increase of approximately 20% and accounted for approximately 95% of the total revenue of the same year. During the year, the sales volume of refined oil reached approximately 913 thousand tonnes (2022: approximately 718 thousand tonnes), representing an increase of approximately 27% as compared with last year. The increase in sales volume was mainly due to the increase in market demand of petroleum products following the post-COVID normalization of economic activities in Northeastern China during 2023.

Sales of Natural Gas Business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For 2023, the Group recorded the sales of natural gas income of RMB268.0 million, representing a year-on-year increase of 26% and accounted for 4% of the total revenue of the same year. During the year, the sales volume of CNG reached 68.7 million cubic meters (2022: 45.6 million cubic meters), representing an increase of 51% as compared with last year. Similar to refined oil business, the increase in sales volume was mainly due to the post-COVID normalization of economic activities in Northeastern China.

Provision of Transportation Services

The provision of transportation services are conducted by Jieli Logistics. For 2023, the Group recorded the transportation income of RMB67.7 million (2022: RMB57.7 million), representing a year-on-year increase of 17% 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 38 locomotives, 42 trailers and 41 head-mounted integrated vehicles (for petroleum transport), as well as 33 locomotives, 49 trailers and 1 head-mounted integrated vehicles (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 2023, the Group's revenue amounted to RMB7,346.9 million, representing an increase of RMB1,257.5 million or 21% from RMB6,089.4 million in 2022. The increase in revenue was mainly attributable to the increase in the sales volume of the Company's wholesale and retail petroleum products during 2023.

Cost of Sales and Gross Profit

The Group's cost of sales primarily represents all costs of purchase of refined oil, CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and transportation costs. In 2023, the Group's cost of sales increased by 22% to RMB6,924.6 million from RMB5,696.3 million in 2022 due to the increase in total purchase of the products as a result of the increase in the sales volume of the Company's products during 2023.

The gross profit for 2023 was RMB422.3 million (2022: RMB393.1 million), with a gross profit margin of 6% (2022: 6%). The gross profit margin remained stable during 2023. The increase in gross profit was mainly attributable to the increase in the sales volume of the Company's products compared with that of the previous year.

Impairment Gain/(Loss) on Trade Receivables

Impairment gain on trade receivables was for recovery of trade receivables for which was impaired in the previous year. For 2023, impairment gain on trade receivables amounted to approximately RMB2.1 million.

Other Income

Other income mainly comprises rental income, government grant and interest income. For 2023, other income amounted to RMB10.1 million, representing an increase of RMB3.6 million from RMB6.5 million in 2022. The increase in other income was mainly attributable to the increase in rental income and the net gain on disposal of subsidiaries during 2023.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2023, staff costs amounted to RMB158.5 million, representing an increase of RMB3.6 million from RMB154.9 million in 2022. The increase in staff costs was principally attributable to the increase in the contributions to the retirement benefit schemes of PRC for staff during 2023.

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, increased from RMB78.2 million to RMB90.6 million. The increase was mainly attributable to the increase in operating activities of the Company with post-COVID normalization of economic activity during 2023.

For 2023, the finance costs amounted to approximately RMB34.4 million (2022: approximately RMB36.3 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 an Associate

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 RMB16.0 million, net of the share of profit amounted to approximately RMB0.9 million for 2023.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2023 increased by RMB27.2 million, constituting a profit before tax of RMB64.1 million (2022: RMB36.9 million).

Income Tax Expenses

In 2023, income tax expenses increased by RMB2.9 million, or 16%, to RMB20.8 million from RMB17.9 million in 2022. Such increase was mainly due to higher profit before taxation recorded during 2023.

Profit for the Year

For 2023, the net profit of the Group amounted to RMB43.3 million, representing an increase of RMB24.3 million from RMB19.0 million in 2022.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2023. Total assets increased by 23% to RMB1,914.6 million (31 December 2022: RMB1,555.5 million) while total equity increased by 10% to RMB512.1 million (31 December 2022: RMB467.6 million).

Bank Balances and Cash

As at 31 December 2023, the Group's bank balances and cash amounted to RMB156.9 million (31 December 2022: RMB138.6 million).

Capital Expenditure

Capital expenditure to owned property, plant and equipment for the year ended 31 December 2023 amounted to RMB46.4 million and our Group's capital commitments as at 31 December 2023 amounted to RMB36.5 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 2023 and 2022 are summarised below:

	As at 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	**351,778**	**89**	298,925	100
Long-term borrowings	**42,000**	**11**	–	–
Currency denomination				
– RMB	**393,778**	**100**	298,925	100
Borrowings				
– secured	**393,778**	**100**	298,925	100
Interest rate structure				
– fixed-rate borrowings	**383,778**	**97**	298,925	100
– variable-rate borrowings	**10,000**	**3**	–	–
Interest rate				
– fixed-rate borrowings	**3.45%-7.5%**		3.7%-7.5%	
– variable-rate borrowings	**3.55%**		–	

As at 31 December 2023, the Group's gearing ratio was 73% (31 December 2022: 70%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2023 and 2022 respectively.

Use of Proceeds and Change in 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.

As disclosed above, the provision of the Group's transportation services are conducted by Jieli Logistics. For 2023, the Group recorded the transportation income of approximately RMB67.7 million, representing a year-on-year increase of approximately 17% and accounted for 1% of the total revenue of the same year. The Board is of the view that there is potential for our transportation services to grow, as a complement of our gas refuelling business and petroleum refuelling business. In light of the above, the Board believes that a powerful transportation capability is required to support business expansion. To enable the Group to better utilize its financial resources and expand our transportation capability, the Board has resolved to further change the use of the unutilised proceeds in the amount of HK$10 million to the expansion of the logistics vehicles teams. 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*	**Revised allocation (as of the date of this announcement)** *HK$'000*	**Utilization as at date of this announcement** *HK$'000*	**Remaining balance as at date of this announcement** *HK$'000*	**Expected timeline for full utilization of the remaining proceeds**
Finance the expansion of the CNG refuelling station network	104,000	19,500	19,500	19,500	–	–
Strengthen the marketing and promotion strategies	5,800	5,800	5,800	5,800	–	–
General working capital	5,800	5,800	5,800	5,800	–	–
Acquisition of Silver Spring and assignment of the shareholder's loan	–	34,500	34,500	34,500	–	–
Expansion of petroleum and gas refuelling station network	–	50,000	40,000	25,286	14,714	By the end of 2025
Expansion of the logistics vehicles teams	–	–	10,000	–	10,000	By the end of 2025
Total	115,600	115,600	115,600	90,886	24,714	

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 2023, the aggregate carrying amount of the property, plant and equipment and investment properties of the Group of RMB31.9 million were pledged for the Group's bank and other loans and bank acceptance bills facilities. At 31 December 2023, bank loans and bank acceptance bills facilities of the Group amounted to RMB205,900,000, and were utilised to the extent of RMB154,900,000. Further, during the year ended 31 December 2023, a subsidiary of the Group pledged certain property, plant and equipment for an external banking facility. The exposure of the Group at 31 December 2023 under such pledge of assets is RMB27,426,000, being the carrying amount of pledged property, plant and equipment. In addition, the Group's bank loan of RMB30 million and bank acceptance bills facilities of RMB30 million were secured by the personal guarantee by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, chief executive officer, executive director and chairman of the Board, and Ms. Ji Yuanyuan (姬媛媛女士), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2023, the Board is not aware of any material contingent liabilities (2022: Nil).

Human Resources

As at 31 December 2023, the Group had 1,493 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 2023, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2023.

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

Looking ahead to 2024, the ongoing Russia-Ukraine conflict, turbulence in the Middle East, and geopolitical instability worldwide continue to pose challenges to the global economy. Some institutions predict a slowdown in GDP growth, with the Organisation for Economic Co-operation and Development estimating global economic growth of 2.7% next year, lower than the 2.9% seen in 2023. The International Monetary Fund forecasts growth at 2.9%, while the European Central Bank predicts growth at 3%.

In the oil and natural gas market, a report published by Fitch Ratings predicts that the performance of the global oil and natural gas industry in 2024 will remain largely consistent with that of 2023. Oil prices are expected to remain high and relatively stable compared to the previous year due to the production cuts of OPEC+, geopolitical risk premium, and a slowdown in crude oil production of the United States. However, demand growth is expected to slow down, and the idle production capacity, mainly represented by OPEC, should be sufficient to absorb potential shocks. The organization predicts that oil prices will start to decline in 2025 as OPEC+ may begin to relax their supply controls. The IEA expects global oil demand growth to slow down to an annual increase of 1.24 million barrels per day in 2024, due to the continued headwinds facing the overall economic environment. The IEA's report indicates that global oil supply is projected to increase by 1.5 million barrels per day in 2024, reaching a record high of 103.5 million barrels per day, driven primarily by increased production in countries such as the United States, Brazil, Guyana, and Canada.

In 2024, as the impact of post-pandemic travel and consumption demand on the oil market weakens, the growth in domestic oil and natural gas consumption demand is also expected to slow down. According to a survey conducted by Bloomberg, the median estimate of 11 industry consultants and analysts suggests that China's crude oil consumption is projected to increase by 500,000 barrels per day in 2024. This growth rate is significantly slower compared to 2023, particularly due to the expected decline in consumption of transportation fuels such as gasoline, as the number of electric vehicles is anticipated to rise.

To align with the global trend of transitioning towards renewable and clean energy in the energy market, the Group is actively expanding its business in the new energy vehicle charging station sector. In 2024, the new energy vehicle sector is expected to continue its positive development. The Ministry of Industry and Information Technology stated that based on the current total volume provided by industry associations, it is projected that the number of new energy vehicles will reach approximately 31 million in 2024, with a modest year-on-year growth of approximately 3%. The production and sales of new energy vehicles are also expected to reach a scale of around 11.5 million vehicles, with a growth rate of approximately 20%.

Facing challenges in the macro environment such as frequent black swan events in the international market, fluctuating political and security situations, and rising interest rates, both the global and domestic energy markets are expected to remain uncertain in the coming year. In response, the Group will continue to focus on the operation of natural gas refuelling stations, further optimize its natural gas and petroleum distribution and transportation businesses, while also exploring new business directions and partners to broaden the sources of revenue. The Group is actively positioning itself in the field of new energy vehicles to capitalize on the rapid growth of the new energy vehicle industry in China, aiming to establish a solid foundation for the Group's long-term and stable development.

OTHER INFORMATION

Final Dividend

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on 19 June 2024. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024, 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 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 13 June 2024.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Listing Rules during the year ended 31 December 2023, except the following:

Code provision C.1.6 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that was held in Hong Kong on 20 June 2023 due to their commitments outside Hong Kong.

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

The Board considers that having the same person to perform the roles of both the chairman and the chief executive officer provides the Company with strong and consistent leadership, and allows effective and efficient planning and implementation of business decisions and strategies. Such structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals and having meeting regularly to discuss issues affecting the operations of the Group.

Code provision C.5.1 of the CG Code provides the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the year of 2023, only two Board meetings were held. The Group's audited consolidated annual results for the year ended 31 December 2022 and unaudited consolidated interim results for the six months ended 30 June 2023, together with other corporate transactions which required discussions at Board meetings level during the year ended 31 December 2023 have been reviewed and discussed amongst the Directors at the full Board meetings and/or by way of circulation of written resolutions. Together with the circulation of written materials to keep the Board informed throughout the year of 2023, sufficient measures had been taken to ensure that there was efficient communication among the Directors, including the independent non-executive Directors.

Audit Committee

The Company established the Audit Committee on 21 September 2017 with written terms of reference in compliance with the CG Code as set forth in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management and internal control system of the Group. Currently, the Audit Committee comprises Mr. Lau Ying Kit (Chairman), Ms. Su Dan and Mr. Zhang Zhifeng, all of whom are independent non-executive Directors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2023, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Sufficiency of Public Float

Since the date of listing of the Company on the Stock Exchange and up to the date of this announcement, the Company has maintained a sufficient public float.

Pre-emptive Rights

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

Scope of Work of the Auditor

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.united-strength.com). The annual report for the financial year ended 31 December 2023 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

Appreciation

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

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

Hong Kong, 27 March 2024

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