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

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong
Mr. Wang Zhiwei

Non-executive Director

Mr. Xu Huilin (resigned with effect from 29 February 2024)

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. Ma Haidong
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. Ma Haidong
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

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Solana 2, Erdao District
Changchun
Jilin Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 24
The Lee Garden One
33 Hysan Avenue
Causeway Bay
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
Fax: (852) 3896 3300

FINANCIAL HIGHLIGHTS

	2023 **RMB'000**	2022 RMB'000
Revenue	**7,346,895**	6,089,366
Gross profit	**422,263**	393,102
Profit for the year	**43,304**	18,951
Profit attributable to equity shareholders of the Company	**39,489**	16,530
Gross profit margin	**6%**	6%
Earnings per share		
— Basic & Diluted (RMB)	**0.11**	0.04
Total assets	**1,914,596**	1,555,454
Net assets	**512,107**	467,624

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 2023 (hereinafter referred to as the "**Reporting Period**").

BUSINESS REVIEW

The year of 2023 is marked by the comprehensive recovery from the pandemic, although both the international and domestic macro environments continued to face significant challenges. The prolonged Russia-Ukraine war, persistent geopolitical conflicts, and tightened financial conditions contributed to a slowdown in global economic growth. The prices of natural gas and petroleum reached their peak in 2022, and experienced a significant decline in 2023 due to factors such as ample supply and weakened demand.

The domestic economy in China rebounded after the pandemic. According to the National Bureau of Statistics, China's gross domestic product (GDP) exceeded RMB126 trillion in 2023, representing a year-on-year growth of 5.2%. In the energy sector, the domestic LNG market also experienced a dual increase in supply and demand. In 2023, the natural gas production of industrial enterprises with an annual turnover of over a certain threshold reached 229.7 billion cubic meters, 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%. In the oil market, the domestic production of industrial crude oil above designated size reached 208.91 million tons, representing a year-on-year growth of 2.0%. The import of crude oil was 563.99 million tons, representing a year-on-year growth of 11.0%.

Meanwhile, in response to the national energy structure adjustment, the penetration rate of clean energy continued to increase. In the automotive sector, new energy vehicles have maintained a satisfying growth momentum. In 2023, the cumulative retail sales of new energy passenger vehicles reached 7.736 million vehicles, representing a year-on-year increase of 36.2%. The annual penetration rate reached 35.7%, representing an increase of 8.1 percentage points.

To seize the opportunities from rapid development of the new energy vehicle sector, the Group actively made investment in related industries. On 14 September 2023, the Company entered into a strategic cooperation framework agreement (the "**Framework Agreement**") with Beijing Xiaoju New Energy Vehicle Technology Co., Ltd.* (北京小桔新能源汽車科技有限公司) ("**Xiaoju New Energy**"). Pursuant to the Framework Agreement, the parties will explore cooperation in relation to the construction, acquisition and operation of new energy vehicle charging stations. This was also a significant step forward for the Group since entering the field of new energy vehicle charging stations. The Group believes that through cooperation with Xiaoju New Energy, we can apply the rich experience we have accumulated in operating gas refuelling stations and petroleum refuelling stations to the development and operation of new energy vehicle charging stations, thereby further expanding the Group's business and diversifying our sources of revenue.

FUTURE PROSPECTS

Looking ahead to the year of 2024, China's economy is expected to maintain steady growth. Jilin Province has set its target for 2024 during the "Two Sessions", aiming for a regional GDP growth of around 6%. Energy consumption serves as a synchronous indicator of economic development, and the healthy and high-quality development of the energy industry forms the foundation for achieving economic growth. At the same time, with the approaching goals of carbon peaking and carbon neutrality, the upgrading and transformation of energy consumption structure are also accelerating.

In the oil and natural gas markets, global 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. 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. Meanwhile, in response to the increasing penetration rate of new energy vehicles in China, the proportion of clean energy in the transportation sector also continues to grow. The China Association of Automobile Manufacturers predicts that in 2024, sales of new energy vehicles will reach approximately 11.5 million vehicles, representing a year-on-year growth of approximately 20%. New energy vehicles will become a new driving force for promoting high-quality economic development.

The Group will continue to deepen its presence in the energy market of Northeast China. Considering the continued significance of traditional automobiles in the market, the Group will focus on consolidating the businesses of operation of gas refuelling stations and petroleum refuelling stations and transportation. In addition, seizing the historical opportunity presented by the booming development of new energy vehicles, the Group will leverage its experience and strengths to explore opportunities in the field of new energy. This direction aligns with the trend of transformation and development of the energy industry in China and lays the foundation for the Group's long-term development. In the future, the Group will continuously integrate resources in different segmented areas, enhance operational efficiency, and diversify its business layout in the energy sector, so as to reduce the impact of fluctuations in the international energy market on our performance and create long-term value for shareholders.

APPRECIATION

In the year full of uncertainties, the Group's continuous growth was driven by the trust 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

27 March 2024

Management Discussion and Analysis

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**
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. The circumstances that led to such impairment loss was that the business performance and development of CTS Financial Leasing fell short of previous expectation.

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	Utilization as at 31 December 2023	Revised allocation (as of the date of this report) HK$'000	Utilization as at date of this report HK$'000	Remaining balance as at date of this report 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	19,500	-	-
Strengthen the marketing and promotion strategies	5,800	5,800	5,800	5,800	5,800	-	-
General working capital	5,800	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	34,500	-	-
Expansion of petroleum and gas refuelling station network	-	50,000	25,286	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**	**90,886**	**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 report 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 report, 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.

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 2023.

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 2023, 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 of the Company that was held on 20 June 2023 due to their overseas commitments.

Code Provision F.2.2 of the CG Code requires, amongst others, the chairman of the board should attend the annual general meeting. The Chairman was unable to attend the annual general meeting of the Company that was held on 20 June 2023 due to his overseas commitment.

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.

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.

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 C3 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 2023. Details of the shareholding interests held by the Directors as at 31 December 2023 are set out in page 87 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

Non-Executive Director

Mr. Xu Huilin (resigned with effect from 29 February 2024)

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. 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 2023, two 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	2/2
Mr. Liu Yingwu	2/2
Mr. Ma Haidong	2/2
Mr. Wang Zhiwei	2/2
Mr. Xu Huilin	2/2
Ms. Su Dan	2/2
Mr. Lau Ying Kit	2/2
Mr. Zhang Zhifeng	2/2

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 2023, 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 2023.

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 2023 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	B
Non-Executive Director	
Mr. Xu Huilin	B
Independent Non-executive Directors	
Ms. Su Dan	B
Mr. Lau Ying Kit	A and 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 2023. 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 2023. 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 2023 is set out below:

Remuneration bands	Number of individuals
Nil–HK$1,000,000	6
HK$1,000,001–HK$1,500,000	2
	8

NOMINATION COMMITTEE

The Nomination Committee comprises Mr. Ma Haidong who is an 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.

One meeting was held in 2023. 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)*	1/1
Mr. Xu Hulin *(ceased to be a member with effect from 29 February 2024)*	1/1
Mr. Zhang Zhifeng	1/1
Mr. Ma Haidong *(appointed as a member with effect from 29 February 2024)*	N/A

In accordance with the requirements under the CG Code, the Company has set an initial target of appointing at least one director of a different gender to the Board and has achieved such target since its listing when Ms. Su Dan was appointed as an independent non-executive Director. Currently, the gender diversity of the Board is at 14.3% (1 female out of 7 Directors). The Nomination Committee and the Board will review the Board's target gender diversity ratio from time to time and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

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 2023, 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 2023 is as follows:

	2023 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.

Notwithstanding it constituted a deviation from C.2.5 of the Code Provision. 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. 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.

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 2023, 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 2023 ("**2023 AGM**") was held on 20 June 2023. The notice of the 2023 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2023 AGM.

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

Directors	Attendance/ Number of general meetings
Mr. Zhao Jinmin	0/1
Mr. Liu Yingwu	0/1
Mr. Ma Haidong	0/1
Mr. Wang Zhiwei	0/1
Mr. Xu Huilin (resigned with effect from 29 February 2024)	0/1
Ms. Su Dan	0/1
Mr. Lau Ying Kit	1/1
Mr. Zhang Zhifeng	0/1

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.

DIVIDEND POLICY

The Company currently does not have a dividend policy or any pre-determined dividend distribution ratio and may declare dividends by way of cash or by other means that the Directors consider appropriate. The Directors shall decide and recommend the amount of dividends (or decide not to recommend any dividend) based on our earnings, cash flows, financial condition, capital requirements, future plans of the Group and any other conditions that the Directors deem relevant at such time.

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 2023, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

As a necessity of human life, energy is related to people's livelihood and national security. Meanwhile, energy is crucial for promoting economic and social development while improving people's well-being. However, the extensive use of fossil fuels leads to a range of environmental and ecology problems. In view of the increasingly severe issues such as climate change, environmental risk challenges, and energy resource constraints, countries have developed energy transformation strategies to actively phase out fossil fuels while identifying energy solutions that are more sustainable and innovative. At the same time, the energy development of the People's Republic of China ("**China**") has entered a new chapter. Clean energy, recognised as a green and low-carbon energy, is becoming a vital component of China's energy supply system. Such transformation plays a significant role in facilitating a diversified energy structure, protecting the natural environment, combating climate change, and realising low-carbon green development. The "Energy Production and Consumption Transition Strategy" issued by the National Development and Reform Commission and the National Energy Administration clearly states that China's newly added energy demand will mainly rely on clean energy by 2030, indicating that the country will further promote low-carbon energy development, expedite the establishment of a low-carbon circular economic system, and contribute to addressing climate change and environmental challenges.

Natural gas, which is regarded as an economically and environmentally friendly source of green energy and chemical raw materials, is gradually replacing coal as the primary fuel worldwide. According to the "Outline of the 14th Five Year Plan for National Economic and Social Development and Vision 2035 of the People's Republic of China, natural gas will play a significant role in achieving China's national "Emission Peak" and "Carbon Neutrality" targets due to its low-carbon and clean characteristics. As one of China's fast-growing and leading compressed natural gas refuelling and energy transportation operators, United Strength Power Holdings Limited and its subsidiaries (collectively the "**Group**") are primarily involved in the natural gas sales business, petroleum wholesale business, refuelling business, and transportation services. The Group is committed to aligning with national goals and strategies, striving to minimise its operational environmental impacts while meeting the current energy demands.

As an enterprise that takes green energy transformation as its development approach, the Group deeply understands that building a safe, reliable, flexible, and resilient supply chain and operating system is a prerequisite for ensuring the prosperous development of the natural gas industry while realising the "Dual Carbon" goals and "Beautiful China" initiatives. Therefore, the Group adheres to the development concept of accelerating the "Gasification of Jilin" and is committed to integrating sustainable development concepts and values into the Group's overall strategy. The Group regards the environmental and social development in its operating areas and corporate governance as integral parts of its commitment to quality business development while aspiring to create long-term and stable shared value for all stakeholders. Since its establishment, the Group has continuously explored and implemented environmental, social and governance ("**ESG**") policy throughout the enterprise. Meanwhile, guided by the best global and industry ESG practices, the Group has been enhancing the management of ESG projects and developing a standardised ESG data management system to better adapt to the changing environment and social expectations.

In 2023, the world has been recovering from the challenges posed by the COVID-19 Pandemic (the "**pandemic**"). As productions and livelihood activities return to the new normal, demand for energy has steadily increased. Referring to the national and local policy requirements, the Group is dedicated to seizing the opportunities to provide people with a safe and reliable energy supply while actively exploring sustainable development at the corporate and value chain levels. In addition to environmental aspects, the Group pays attention to the health and safety of its employees and customers, aspiring to build a safer, healthier, and more environmentally friendly working and living environment for everyone. Meanwhile, the Group is committed to further strengthening its talent attraction, employee management, product and service innovation, and fulfilment of social responsibilities to enhance corporate competitiveness and play a leading role in driving sustainable development of the industry.

II. ABOUT THE REPORT

In compliance with the requirement under Appendix C2 – Environmental, Social and Governance Reporting Guide ("**ESG Guide**") of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**"), the Group is pleased to present the Environmental, Social and Governance Report ("**this ESG Report**") for the year ended 31 December 2023 ("**FY2023**"), which demonstrates the Group's approaches and performance in terms of ESG management and corporate sustainable development for FY2023.

Boundary Setting

This ESG Report adopts the operational control approach to define the boundary of information disclosure. The disclosure in this ESG Report covers the major business operations of the Group, including the natural gas refuelling and storage facility operations, the sales of refined oil and natural gas, the wholesale of refined oil, and the provision of petroleum and natural gas transportation services. The Group identified and evaluated the entities that it had operational control over and that were operating normally during FY2023, and decided to include 20 gas refuelling stations, 62 petroleum refuelling stations, and transportation businesses in Northeast China into the boundary of this ESG Report.

Reporting Principles

This ESG Report is prepared based on the reporting principles stated in the ESG Guide of the SEHK, following the four principles of "Materiality", "Quantitative", "Balance", and "Consistency" to determine and disclose its ESG performance for FY2023. The detailed application of each principle are as follows.

Materiality

The application of the Materiality principle is one of the core elements to ensure the Group effectively identifies key ESG issues and reasonably allocates manpower and resources to manage ESG-related risks. During the year under review, the Group conducted an annual materiality assessment through online surveys with various stakeholders on a series of ESG-related issues. The Group identified ESG factors that may significantly impact its long-term business development through stakeholders' expectations and feedback on sustainable development. For more information, please refer to the sections "**Stakeholder Engagement**" and "**Materiality Assessment**".

Another application of the Materiality principle is reflected in the data management of the ESG report disclosure. In order to enhance transparency and present the Group's ESG performance in a focused manner, the Group effectively classifies, manages, monitors, and collects data on the ESG performance of the entity within its operating scope to ensure accountability.

Quantitative

The Group organises and discloses its environmental and social performance such as emissions, natural resource consumption, and human resources information based on a series of environmental and social key performance indicators ("**KPIs**") to demonstrate the application of the Quantitative principle. The calculation methods, assumptions, and conversion factors used are listed in the footnotes of the corresponding performance tables.

Balance

To fairly describe its ESG performance, the Group follows the Balance principle to ensure its stakeholders receive accurate and meaningful ESG information for informed decision-making. The Group comprehensively assesses the material ESG risks it faces and impartially discloses the assessment results to truly reflect the Group's sustainable development performance during the year under review to readers.

Consistency

To facilitate peer comparison and meaningful cross-year analysis, the Group adopts the same report disclosure framework and data calculation method as in the previous years. If there are any significant differences from the previous reporting framework, the Group will make clear explanations accordingly.

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 this ESG Report for readers' convenience.

III. SUSTAINABILITY MANAGEMENT

In the current complex and ever-changing business environment, the establishment of a robust governance mechanism has become fundamental for maintaining corporate competitiveness and providing long-term sustainable value to all stakeholders of the Group. To this end, the Group improves its management structure consistently and is committed to maintaining the highest governance standards and practices. In order to demonstrate its commitment to sustainable development, the Group has integrated sustainable business concepts into its operational management models and established a comprehensive risk management system, striving to incorporate the implementation and development of ESG strategies into the Group's business development visions under the current governance structure. Since its establishment, the Group has always advocated and actively pursued responsible development while earnestly fulfilling its commitments to stakeholders, optimising the quality of its products and services with ingenuity, as well as exploring innovative technologies and advanced operating processes.

The Group adopts a "top-down" management strategy in its sustainable development governance. As the top leadership, the Board of Directors of the Company (the "**Board**") is responsible for overseeing the implementation of ESG-related matters while ensuring barrier-free communication between the Group's top management, middle management and the employees. With extensive experiences, the Board leads the enterprise and employees to thoroughly implement the nation's strategic deployment for the sustainable development of the energy industry, and formulates efficient sustainable development policies within the Group.

In addition, the Group has established a Central Safety Committee composed of the Group's chairman, vice chairman and various business managers to take responsibility for the following matters:

- Develop corresponding guidelines, policies, principles, and goals based on the Group's identified material ESG issues;
- Coordinate the Group's internal ESG management and daily communication with external sustainability consultants and other key stakeholders;
- Supervise the implementation of ESG-related policies and activities in the Group's subsidiaries;
- Report and communicate the implementation and feedback of corporate sustainability policies to the Board;
- Review the Group's ESG performance to determine improvement directions and develop corresponding strategies;

- Supervise and ensure that the immediate subordinate organisations assume and fulfil their responsibilities in safety, health, and environmental protection;

- Assess the performance and achievements of subcommittees to ensure they fully perform their due functions;

- Establish a robust ESG organisation and safety mechanism;

- Review and approve ESG management regulations and procedures;

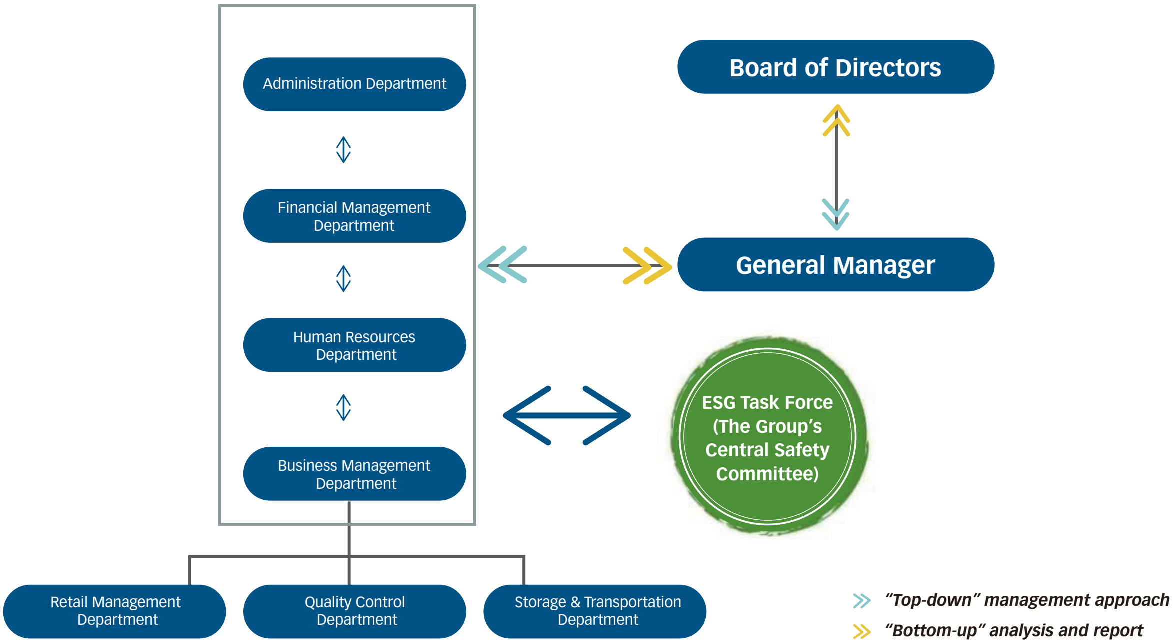
- Study and review major ESG management issues such as safety and environmental protection;

- Maintain a keen sense of ESG regulations and ensure the compliance of the Group's operations; and

- Summarise and learn from cutting-edge information on ESG development and communicate the excellent ESG management methods and industry best practices to the whole Group.

The Central Safety Committee and the management regularly communicate the latest ESG-related information and provide timely suggestions to the Board through briefing sessions or written submissions. The Central Safety Committee conducts reviews and assessments on the Group's ESG-related performance and progress twice a year. The review results are categorised, ranked, and prioritised after validation, which are then used to inform the improvement suggestions based on the work done in the review period, thereby providing insights for the next stage of strategic direction and target management. The assessment results are delivered to the Board in the form of a report.

Based on the consolidated feedback from the management, the Central Safety Committee, and the external professional groups, the Board identifies and estimates major ESG-related risks through expert interviews while evaluating their potential impacts on the Group's business operations under different time frames according to the process data and current trends. The Board is responsible for developing solutions to address the identified major ESG issues and relevant risks while tracking the KPI performance of the Group's various businesses through the management, so as to keep abreast of the progress of sustainable development and the effectiveness of its risk management measures. For instance, in response to the changes in the Group's business model and to optimise the safety management mechanism, the Board pays significant attentions to the workplace safety and health issues. The "Implementation Plans for Optimising Safety Management in the Marketing Section of the Group" has been issued to stipulate the responsibilities of each parties and the process of performance review, striving to minimise potential risks and effectively track the improvement of the Group's safety management level.



The Group has always adhered to the sustainable management approach of "Safety, Effective Prevention, Health Protection, Environmental Improvement, People-Oriented, Sustainable Development". At the beginning of each year, the Group sets corresponding goals and indicators for operational safety and service quality based on the targets and indicator management system. The goals are then refined, planned, and implemented in a "top-down" manner from the top management to facilitate effective oversight and regular reviews. Looking forward, the Group is committed to strengthening business collaboration and further improving the sustainable development management system of its key areas.

Board Responsibility

The Board of the Group is fully aware of its responsibility to oversee and ensure the Group adopts sustainable development while possessing the ability to adapt to various risks. As the main vigilance and the guardian of the enterprise long-term value, the Board shoulders the shared supervision responsibility to ensure that the entire Group focuses on ESG concepts while fully integrating the principle of sustainable development into the Group's long-term development strategy. Meanwhile, the Board fulfils the duties and being accountable for the following aspects:

- Supervise the Group's environmental and social impact assessment while monitoring the identified key ESG risks;
- Formulate sustainable development strategies and targets while understanding the short–, medium–, and long-term impacts of ESG policy changes on the Group's business;
- Understand and confirm the results of the Group's ESG materiality assessment while ensuring the effective disclosure of ESG information; and
- Facilitate a "top-down" culture of sustainable development to ensure ESG considerations are incorporated into business development and decision-making processes.

IV. STAKEHOLDER ENGAGEMENT

The Group believes that effective stakeholder engagement is an integral part of the Group's sustainability strategy and it is critical for demonstrating transparency, facilitating informed open dialogue, and sharing its sustainability achievements. The Group has maintained effective communication with its key stakeholders through various channels, so as to keep abreast of market trends and emerging risks and opportunities, thus adapting to the changing environment and improving business operations.

Over the years, the Group has developed long-term and stable communication with its stakeholders mainly through the following channels. Meanwhile, the Group optimises its overall ESG strategies and management policies based on the opinions and feedback from its major stakeholders.

Types of Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	• Compliance with laws and regulations • Anti-corruption policies • Occupational health and safety • Optimisation of the emergency management systems • Be the industry role model and lead the industry towards sustainable development • Establish sound corporate operating mechanisms and long-term plans for sustainable development	• Supervision on the compliance with local laws and regulations • Regular reports and tax payments • Response to policy documents issued by the government • Roundtable discussions • Symposium
Shareholders	• Returns on investment • Corporate governance • Business compliance • Upheld of the corporate culture and operation concept of "Safety, Effective Prevention, Health Protection, Environmental Improvement, People-Oriented, Sustainable Development"	• Regular corporate reports and announcements • General meetings • Official website of the Group
Employees	• Employee remunerations and benefits • Career paths and training schemes • Healthy and safe workplaces • Provide employment and learning opportunity for the unemployed to serve the community • Optimise the efficient operation of the management system • Data security and systematic risk management	• Employees' performance appraisals • Regular meetings and training • Emails, notices, hotline, and team building activities with the management • Online questionnaires • Written evaluation and feedback • Group discussions

Types of Stakeholders	Expectations and Concerns	Communication Channels
Customers	• Price and quality assurance • Product safety and risk control • Strengthened actions to protect environment	• Customer satisfaction surveys • Face-to-face meetings and onsite visits • Customer service hotline and emails
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 • Written evaluation and feedback
Professional organisation	• Improve the 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 to explore 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 • Conformation to business ethics • Environmental protection awareness • Prioritise cyber security and systematic risks prevention	• Media conferences and response to enquiries • Public welfare activities • Face-to-face interviews

Materiality Assessment

The Group uses the principle of materiality as the basis of its ESG management and conducts annual reviews to ensure the Group's ESG management meets the expectations and interests of stakeholders. In FY2023, the Group engaged an independent third-party organisation to conduct the materiality assessment survey to ensure the assessment's objectivity, in which the Group selected its internal and external stakeholders based on their influence and dependence on the Group. The Group invited selected stakeholders to complete online questionnaires to express their opinions on a series of corporate ESG management and related issues and produced a materiality assessment matrix based on the feedback.

Through stepwise processes of identification, prioritisation, and verification, the Group ensures relevant sustainability issues are managed and disclosed based on the Materiality principle.

(1) Identification

With reference to ESG guidelines and internationally recognised reporting frameworks, the Group took into account the latest forms of sustainable development and identified 28 important sustainable development issues that were considered to have an impact on the environment and society in the Group's operations.

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

(2) Prioritisation

The Group invited internal and external stakeholders including the Group's internal management and general employees of each business segment, suppliers, and representatives of government agencies to complete an online questionnaire, ranking issues covering the environmental impact, employment and labour practices, operating practices, community investment and leadership, and governance. By consolidating the data obtained, the Group identified material ESG issues and formulated the materiality matrix based on the survey results as shown below.

Stakeholder Engagement Materiality Matrix

Based on the result of the materiality matrix, the Group identified five ESG issues that are of great significance to the Group and its stakeholders, namely "Labour practices", "Employee remunerations and benefits", "Occupational health and safety", "Product/service quality and safety", and "Customer privacy and data security".

(3) Verification

After the review and approval from the Board, the materiality assessment result serves as the basis for the Group's overall ESG management, allowing the Group to objectively prioritise the most important sustainable development issues and formulate corresponding effective management policies and measures. Meanwhile, other relevant important issues are discussed in different sections of this ESG Report.

Sustainable Development Goals ("SDGs")

In addition to material ESG issues, the Group is committed to aligning with the worldwide sustainable development trends. Therefore, the Group actively communicates with its stakeholders to investigate and analyse the United Nations SDGs that they concerned, while also responding to the United Nations' call to eliminate poverty, protect the environment, and ensure peace for all through goal establishment and practice implementation.

Based on the evaluation result of its stakeholders, the Group has determined Goal 3, Goal 4, Goal 7, Goal 8, and Goal 17 as the key aspects of concern for the Group's future sustainable development while viewing these goals as the cornerstone of the Group's corporate visions.

- Goal 3: Good health and well-being – "Ensure healthy lives and promote well-being for 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, sustainable, and modern energy."
- Goal 8: Decent work and economic growth – "Promote inclusive and sustainable economic growth, adequate and productive employment and decent work for everyone."
- Goal 17: Partnership for the goals – "Strengthen the sustainable development implementation and revitalise the global partnership for sustainable development."

To respond and address the concerns of stakeholders on the achievement of SDGs while benchmarking global SDGs and best practices, the Group is dedicated to investing more efforts and resources in the following areas under the leadership and supervision of the Board:

Key SDG	Corporate Action Direction and Target	Corporate Policy, Activity and Advocated Development
3 GOOD HEALTH AND WELL-BEING	• With the goal of practising "Zero Accident", the Group establishes a culture focusing on safety within the Group • Regulate all members of the Group to take the safety policies as the guide to actively identify, evaluate, reduce, and manage occupational health and safety-related hazards and risks in operations while improving and effectively implementing the relevant policies • Respond to the national call to comprehensively promote economic recovery and social development	• Implement policies such as "Safety Management Red Lines", "Hazardous Waste Management Procedures", "Implementation Plans for Optimising Safety Management in the Marketing Section", and "Occupational Health Management System" • Incorporate occupational disease-related knowledge into the annual plans of units at all levels and provide regular training • The Safety and Environment Department is responsible for conducting regular inspections of the Group's internal occupational health and safety policies and facilitating 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 established a training and development centre, set up an online training platform, and developed a full-time and part-time lecturing mechanism • Actively promote sustainable development approaches while cultivating innovative thinking and green development concepts through training	• Provide an online training platform for employees while encouraging them to actively improve their professional knowledge and skills • Improve and implement internal training policies, such as the "Training Management Program", to standardise corporate training • Launched diversified training courses during the year, covering "Principle of Customer Reception and Complaint Handling", "Training on Fire-related Knowledge (including the use and management of firefight 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 SDG	Corporate Action Direction and Target	Corporate Policy, Activity and Advocated Development
7 AFFORDABLE AND CLEAN ENERGY	• Strive to enhance corporate energy efficiency through scientific and technological innovations, business development and process standardisation while actively exploring the wide application of renewable energy	• Encourage the installation and use of solar panels in suitable areas • Optimise the data tracking system to further enhance the transparency of energy consumption and intensity information • Set energy conservation and emission reduction targets in a quantitative manner and implement specific timetables
8 DECENT WORK AND ECONOMIC GROWTH	• Realise higher economic productivity through diversification, innovation, and technological upgrade • Safeguard labour rights and combat child labour and forced labour while providing employees with a safe and healthy working environment	• Invest resources and manpower to explore the application of clean energy and continuously improve technology and service capabilities • Comply with the "Labour Law of the People's Republic of China" and other related labour laws and regulations to protect labour rights and interests • Implement internal safety and health policies strictly and execute relevant practices actively to prioritise the health and safety of employees
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 the strength as an industry leader to initiate or participate in environmental, ecological, and social development-related innovative projects	• Through internal and external cooperation with multiple parties, initiated and implemented the V20 project of ground-tank handover, achieving automatic extraction and informative control of business data of the oil import, sales, and storage activities • During the year under review, promoted and implemented the non-inductive payment function of gas pumps and put electric vehicle charging piles into use

Stakeholder Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback on the corporate ESG approach and performance enhancement, especially for the issues 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

As the world is facing increasingly intense environmental challenges, the Group realises the importance of environmentally sustainable development. In order to support the China's "Guiding Opinions on Energy Work in 2023" to promote continuous high-quality energy development and accelerate the low-carbon green energy transformation, the Group has incorporated environmental factors into its strategic decision-making and formulated internal policies, procedures, and measures to minimise environmental impacts of its daily operations. Meanwhile, the Group has improved energy production efficiency through technological upgrading, structural adjustment and management optimisation, as well as actively exploring the application of clean energy and innovative technologies, so as to enhance the energy structure in a more comprehensive manner.

In order to align with China's development direction and fulfil its environmental commitments, the Group is dedicated to strictly managing its emissions and resource consumption while 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 FY2023.

A.1 Emissions

In FY2023, the Group's main emissions included air and GHG emissions, non-hazardous wastewater, and non-hazardous and hazardous solid waste. During the year under review, the Group was not in violation of any laws and regulations that had significant impacts on the Group during its daily operations, including air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous solid waste, and noise. Adhering to the development philosophy of "Innovation, Coordination, Greenness, Openness, and Sharing", the Group has formulated and implemented internal policies and governance approaches to actively control energy and natural resource consumption, explore a greener low-carbon operating model, and transform the industry towards a more sustainable direction.

Given the nature of the Group's business, the Group's air emissions mainly included sulphur oxides ("**SO_x**"), nitrogen oxides ("**NO_x**"), and particulate matter ("**PM**") generated from vehicle transportation. Meanwhile, GHG emissions were mainly arose from the combustion of fossil fuels of transportation vehicles and electricity consumption of office operations. Table 1 below summarises the Group's total emissions in FY2023.

Multiple functional departments of the Group are responsible for identifying, managing, and reducing potential environmental impacts that may occur during daily operations. Specifically, the Safety and Environmental Department is responsible for ensuring the operations of the oil and gas refuelling station comply with local environmental protection requirements. It has also formulated and implemented internal policies such as the "Hazardous Waste Management Procedure" to strengthen the management of environmental protection equipment. In the meantime, the Group employs qualified third-party professional organisations to recycle and handle hazardous waste generated during operations. In addition, the Group's transportation business segment has established a Storage and Logistics Department to standardise transportation safety and environmental protection requirements in accordance with national laws and regulations. The Storage and Logistics Department strictly manages the vehicles used in the transportation business to ensure that their emissions meet national environmental protection requirements. Meanwhile, the Storage and Logistics Department selects fuel that meets environmental protection standards while actively exploring alternative clean energy sources.

Table 1 – The Group's Total Emissions by Category in FY2023 and FY2022[8]

Emission Category	KPI	Unit	Amount in FY2023	Intensity (Unit/ employee) in FY2023[1]	Intensity (Unit/ employee) in FY2022[2]
Air Emissions[3]	SO_X	Kg	78.7	0.05	0.05
	NO_X	Kg	74,362.2	49.81	50.39
	PM	kg	5,347.0	3.58	3.76
GHG Emissions	Scope 1[4] (Direct Emissions)	Tonnes of CO_2e	12,966.0	8.68	8.96
	Scope 2[5] (Energy Indirect Emissions)	Tonnes of CO_2e	3,757.2	2.52	2.36
	Scope 3[6] (Other Indirect Emissions)	Tonnes of CO_2e	24.2	0.02	0.01
	Total (Scope 1, 2 & 3)	Tonnes of CO_2e	16,747.4	11.22	11.34
Non-hazardous Waste	Solid Waste	Tonnes	202.9	0.14	0.11
	Wastewater[7]	Tonnes	10,508.0	7.04	6.42
Hazardous Waste	Solid Waste	Tonnes	4.5	3.0×10^{-3}	–

1. *Intensity of FY2023 was calculated by dividing the amount of air, GHG, and other emissions by the number of employees of the Group as of the end of FY2023, which was 1,493;*

2. *Intensity of FY2022 was obtained from the "Environmental, Social and Governance" section in the Group's 2022 Annual Report;*

3. *Air emissions only included the Group's air pollutants generated from the mobile combustion of fuel and the stationary combustion of natural gas for heat supply in FY2023;*

4. *The Group's Scope 1 (Direct Emissions) only included emissions arose from the consumption of fossil fuels in transportation vehicles and oil depot generators and the burning of coal, as well as the GHGs removed by the trees planted by the Group since its establishment;*

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

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

7. *The total amount of non-hazardous wastewater generated by the Group included domestic and commercial wastewater*; *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 stemmed from the exhaust gas emitted during the operation of transportation vehicles and the small amount of gas leaked during the refuelling process. In FY2023, the Group primarily consumed diesel and gasoline as vehicle fuels. In order to minimise negative environmental impacts, the Group has enacted relevant policies and measures in accordance with the national energy conservation and emission reduction development direction, striving to further encourage the application of clean energy as vehicle fuel to minimise air emissions. Meanwhile, the Group is committed to researching and promoting the application of innovative technologies to purify vehicle air emissions, such as using nitrogen oxide reducing agents to reduce NO_X in exhaust gas. In addition, the Group continuously monitors and manages its transportation fleets, regularly maintains the vehicles to ensure their engine performance, and has established standardised systems together with reward and punishment mechanisms to monitor and review vehicle fuel consumption, encouraging drivers to uphold good driving habits to save energy.

Since refined oil and natural gas in the logistics and transportation process are volatile substances, the Group procures designated vehicles equipped with standard sealing valves and gas recovery devices for transporting corresponding products, so as to reduce the adverse environmental impacts of volatile substances during transportation. In addition, the Group conducts regular inspections of the designated vehicles following national standards to ensure their compliance. For the gas refuelling station business operations, the Group mandates employees to strictly follow the standardised operating procedures, striving to avoid gas volatilisation and leakage during operations.

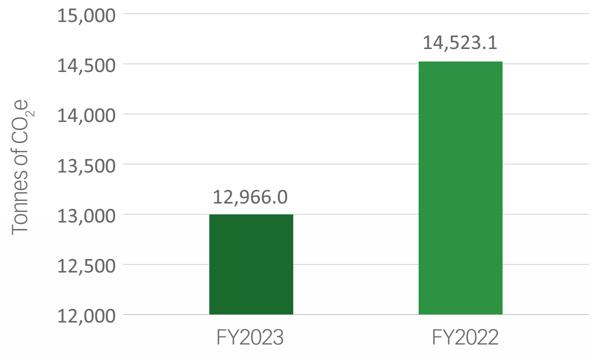
In FY2023, all of the Group's SO_X, NO_X and PM emissions recorded a decreasing trend as compared with that of the financial year ended 31 December 2022 ("**FY2022**").

GHG Emissions

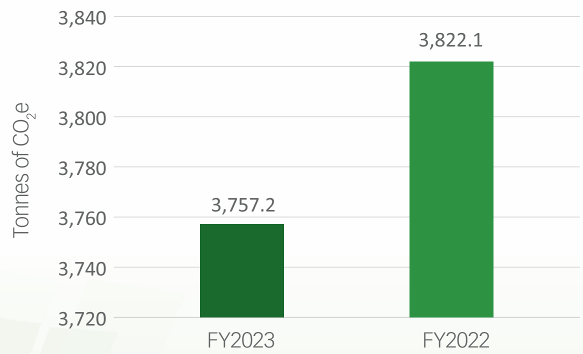
At the 78th Session of the United Nations General Assembly held in 2023, the Intergovernmental Panel on Climate Change ("**IPCC**") once again emphasised the urgency of taking climate actions while China has also proposed in 2020 that it strives to reach carbon emission peak by 2030 and achieve carbon neutrality by 2060. Aiming to effectively reduce GHG emissions and accelerate carbon neutrality progress, the Group actively promotes the innovation and application of low-carbon technologies to reduce the carbon footprints of its operations. The Group also cooperates with external experts to gather, analyse, and strictly manage GHG emissions from its operations. In FY2023, the Group's GHG emissions mainly arose from the purchased electricity and vehicle operations. Since its establishment, the Group has attached great importance to energy management. As such, the Group has developed and executed relevant internal policies and measures to continuously improve its energy efficiency and optimise transportation vehicle management. Specific policies and measures are discussed in detail in the subsections "**Electricity**" and "**Other Energy Resources**".

In FY2023, the Group's GHG emission pattern was dominated by Scope 1 (Direct Emissions) and Scope 2 (Energy Indirect Emissions), accounting for more than 99% of its total GHG profile. Compared with FY2022, the total GHG emissions in FY2023 decreased slightly by approximately 9%, in which scope 1 and scope 2 emissions decreased by approximately 11% and 2% respectively.

The Group's Scope 1 GHG Emissions in FY2023 and FY2022



The Group's Scope 2 GHG Emissions in FY2023 and FY2022



Wastewater

The wastewater discharged by the Group in FY2023 was mainly domestic and commercial wastewater, with all wastewater discharged complying with relevant national standards. The Group fully implements the circular economy concept by encouraging employees to conserve water and actively advocating the recycling and reuse of wastewater. The Group discharges wastewater into anti-seepage tanks and regularly conducts extraction to filter fertilisers. To raise employees' awareness of water conservation, the Group has stipulated water and electricity management measures to guide the Group's collective water-saving actions. In addition, the Group requires wastewater discharged to comply with corresponding national standards.

In FY2023, the amount of wastewater discharged by the Group was similar to that in the last financial year. As wastewater discharge largely depends on freshwater consumption, the Group has taken specific measures to reduce the water usage of its daily operations. Relevant practices are discussed in the subsection "**Water**".

Solid Waste and Others

The solid waste generated by the Group was mainly composed of non-hazardous waste, which primarily included domestic and commercial solid waste from operations, as well as waste packaging materials from the operations of convenience stores at refuelling stations. With the nationwide implementation of the waste classification policy, the Group has formulated various measures, including strictly implementing solid waste classification, to ensure different wastes are properly treated. Meanwhile, the Group's classified solid wastes are uniformly collected and handled by government departments to improve waste recycling and utilisation rates. Regarding the transportation business, the Group vigorously promotes the "3R Principle – Reduce, Reuse and Recycle" while encouraging the adoption of green and circular operating models. For example, the Group promotes the recycling of packaging barrels and oil barrels to minimise solid waste production from the sources. At the same time, the Group actively responds to the national "Clear Plate" campaign, promoting the "Reduce Food Waste" culture in its canteen and facilitating employees to realise the "Saving First" concept. The Group endeavours to reduce food waste and plastic waste through practices such as taking frequently but taking less and using public chopsticks.

The hazardous waste generated by the Group mainly included waste mineral oil from the operations of oil depots. In order to ensure the safe management of hazardous waste, the Group has established the "Hazardous Waste Management Procedure" to clarify the responsibilities of each department and relevant personnel. Meanwhile, the Group entrusts qualified third-party companies to transport and handle waste in accordance with the national "Measures for the Administration of Hazardous Waste Transfer Forms".

The transportation business of the Group inevitably generates waste such as waste parts and engine oil during the daily maintenance and inspection of vehicles. The Group has formulated relevant management requirements and clearly designated storage areas for discarded part, which are managed by dedicated personnel. Besides, the Group cooperates with professional recycling units to ensure safe and effective recycling. To effectively lower the amount of discarded parts, the Group requires employees to treat transportation vehicles with care, striving to reduce parts replacement caused by vehicle damage.

Due to the increased business activities after the pandemic, the total amount of non-hazardous solid waste generated by the Group increased by 19% in FY2023. The Group is committed to consistently promoting waste reduction at source and transitioning towards a more sustainable operating model.

A.2 Use of Resources

In FY2023, the Group mainly consumed electricity, diesel, gasoline, coal, natural gas, water, and paper. The Group strictly selects and classifies product containers to ensure corresponding containers can effectively minimise fuel leakage. For instance, the Group uses liquefied natural gas ("**LNG**") storage tanks to hold LNG; uses gas storage cylinder sets to hold compressed natural gas ("**CNG**"); use liquefied petrol gas ("**LPG**") storage tanks to hold LPG. Meanwhile, the Group is highly aware of the air pollution associated with the volatilisation of oil and gas products. Hence, the Group has introduced an oil and gas recovery system and conducted regular inspections to ensure the recovery and reuse of oil and gas. During the year under review, the Group did not consume significant amount of packaging materials, thus related content is not disclosed in this ESG Report. Table 2 illustrates the amount of different resources consumed by the Group in FY2023.

Table 2 – The Group's Total Resource Consumption in FY2023 and FY2022

Use of Resources	KPI	Unit	Amount in FY2023[1]	Intensity (Unit/ employee) in FY2023)[2]	Intensity (Unit/ employee) in FY2022[3]
Energy	Electricity	'000 kWh	6,158.3	4.12	4.06
	Diesel	L	4,844,483.3	3,244.80	3,224.99
	Gasoline	L	50,165.5	33.60	21.95
	Coal	Tonnes	28.0	0.02	0.06
	Natural Gas[4]	m^3	50.0	0.03	11.81
	Total	'000 kWh	58,659.5	39.29	39.28
Water	Water	m^3	15,830.56	10.6	14.7
Others	Paper	kg	3,224.5	2.2	1.8

1. *The resource consumption in FY2023 included consumption from the Group's office operations, 20 gas refuelling stations, 62 petroleum refuelling stations and transportation fleet;*

2. *Intensity of FY2023 was calculated by dividing the resource consumption of the Group in FY2023 by the number of employees as of the end of FY2023, which was 1,493;*

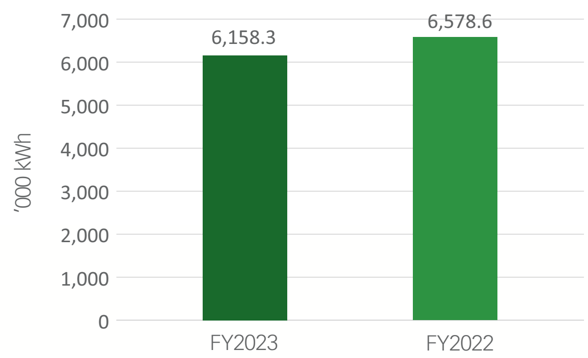
3. *Intensity of FY2022 was obtained from the "Environmental, Social and Governance" section in the Group's 2022 Annual Report; and*

4. *Natural gas consumption in FY2023 only covered the amount of natural gas used for on-site heating.*

Electricity

The electricity consumption of the Group mainly resulted from the daily operations of offices and various business segments, including oil dispensers, gas dispensers, and ancillary equipment. All business units of the Group have complied with relevant laws, regulations, and electricity-saving policies. The electricity consumption intensity of the Group in FY2023 was 4.12 '000kWh/employee. Compared with FY2022, the overall electricity consumption decreased by 6%.

The Group's Electricity Consumption in FY2023 and FY2022



Dedicated to further managing electricity consumption and improving energy efficiency, the Group has incorporated the "Saving Electricity" concept into its business development strategy and daily operational policies, while adopting a series of measures and practices to ensure subsidiaries of the Group, oil refuelling stations, and gas refuelling stations regulate electricity consumption. Specific measures include:

- Switch off some lifts and escalators during non-peak hours;
- Adopt air conditioning temperature control to adjust the temperature according to the seasons and weather conditions (i.e. not lower than 22 degrees Celsius in summer and not higher than 24 degrees Celsius in winter);
- Adhere to the green procurement principles and prioritise environmentally friendly products;
- Replace energy-intensive appliances with energy-saving products (e.g. using LED instead of energy-intensive lamps);
- Inspect and maintain office electrical equipment regularly (e.g. air conditioners and paper shredders) to ensure they are in optimal condition;
- Place "Save electricity, turn off the lights when leaving" labels at prominent locations in the workplace to remind employees;
- Provide employees with regular training on energy conservation and environmental protection;
- Explore the application of renewable energy actively, such as installing and using solar panels in sunny places; and
- Encourage employees to open curtains where possible to utilise natural light and reduce electricity consumption.

Other Energy Resources

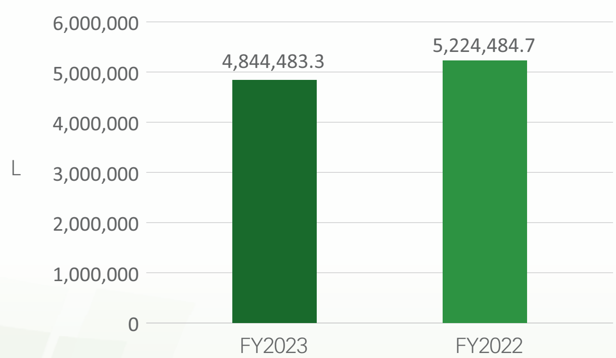
The energy resources consumed by the Group in daily operations and transportation mainly included diesel and gasoline, which were used for business travel and oil transportation. Since the Group fully acknowledges the adverse environmental impacts of fossil fuels, it unswervingly develops clean energy (including natural gas) for transportation. Meanwhile, the Group focuses on improving the energy usage efficiency of its transportation fleets.

During the year under review, the Group actively explored sustainable solutions and has launched a series of measures and practices to reduce the use of fossil energy, including:

- The Storage and Transportation Department of the Group's transportation business is responsible for formulating scientific vehicle fuel consumption standards while regularly checking vehicle mileage and fuel consumption based on the standards;
- Promote responsible driving habits by regulating and supervising practices such as turning off the engine while parking, so as to standardise fleet operations and reduce unnecessary energy consumption;
- Plan the route in advance and adopt fixed routes to reduce unnecessary resource consumption in the transportation process;
- Require all units to upgrade and transform coal-based boilers to effectively control pollution associated with coal burning and improve the air quality;
- Encourage employees of various business units to use public transportation or walk for commuting; and
- Encourage employees to utilise electronic devices and technology equipment for online meetings to reduce business travel frequencies.

Through the effective implementation of emission reduction measures, the diesel consumption of the Group in FY2023 decreased by 7% compared with FY2022.

The Group's Diesel Consumption in FY2023 and FY2022



Water

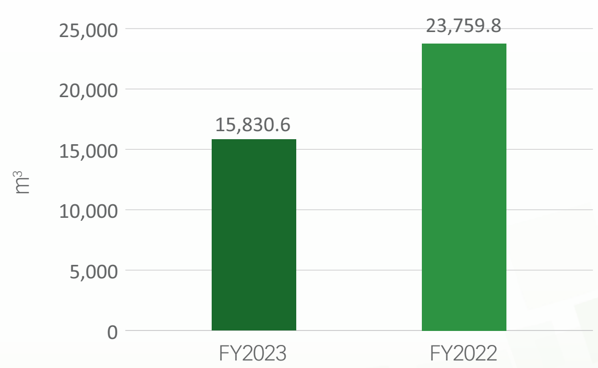
As water shortage has become a hurdle for economic and social development, the Group realises the importance of water conservation. In order to fully support the spirit of China's "14th Five-Year Plan for the Construction of a Water-saving Society", the Group is committed to comprehensively enhancing its water efficiency, with an aim to develop a production and operation mode that conserves water, thereby upholding the long-term development of the Group with sustainable water usage. During the year under review, the Group did not face any issues in sourcing water fit for its purpose.

The Group incorporates the development principle of "Improving Water Resource Usage Efficiency and Seeking Sustainable Use of Water" into every aspect of its business operations. For instance, the Group has formulated internal policies to manage the water consumption of transportation vehicle cleaning, requiring the use of buckets and brushes instead of washing in running water after vehicle repair to conserve water. With the intention to further enhance water resource usage efficiency, the Group has also taken the following measures:

- Strengthen the inspection and maintenance of faucets, water pipes, and other water storage devices to avoid water supply system leakage;
- Raise employees' awareness and practice in regard to "Water Conservation" through regular education programs and internal training;
- Place "Water Conservation" labels in prominent places to encourage employees to cherish water resources; and
- Require all employees to strictly comply with the water conservation policies of the Group and set water usage targets to urge employees to adopt water-saving measures.

During the year under review, the water intensity of the Group was 10.6 m^3/employee, which demonstrated a significant decrease of 28% from the previous year, with the total water consumption decreased by 33%.

The Group's Water Consumption in FY2023 and FY2022



Paper

The Group emphasises low-carbon green operations while actively implementing internal practices to promotes “Paperless Office” and “Automation Office” models, striving to reduce paper consumption from the sources. Meanwhile, the Group has instilled paper saving concept across the whole value chain, encouraging suppliers and customers to reduce paper consumption. Specific relevant practices and measures include:

- Place “Think Before Print” reminders to avoid unnecessary printing;
- Set printers to double-sided printing and economical mode by default, as well as avoiding single-side printing to reduce paper used for printing;
- Collect single-sided paper or wastepaper in boxes or document trays for reuse;
- Prioritise the purchase of paper made from recycled materials; and
- Encourage customers to use electronic invoices and employ electronic platform systems for management to reduce paper consumption.

A.3 The Environment and Natural Resources

To comply with the national energy structure adjustment policy and respond to the development goal of “Ecological Civilisation Construction”, the Group continued to promote clean energy industry development and actively explored innovative technologies and emission reduction practices in FY2023, striving to provide users with safe, clean, and quality energy. The Group is dedicated to operating in an environmentally responsible manner and adhering to applicable laws and regulations. Specifically, the Group’s impact on the environment and natural resource mainly arose from the fossil fuel consumption of its fleet transportation and electricity consumption during operations. To encourage the efficient consumption of resources cross the Group, the Group has adopted a series of effective measures to identify, assess, and reduce its potential impacts on the environment and natural resources. The Group has also set the following targets and actions based on past performance:

Aspects	Targets	Plans and Action Case Studies
Air pollutants	• Reducing air emissions by 20% in 5 years with FY2020 as the baseline year	• Encourage the use of clean energy as vehicle fuels to purify vehicle exhaust gases • Strengthen the monitoring of the recovery devices for transporting refined oil and natural gas, as well as gradually upgrading the coal-based boilers
GHG Emissions	• Reducing Scope 1 and Scope 2 GHG emissions by 25% in 10 years with FY2020 as the baseline year	• Actively explore opportunities to adopt clean energy vehicles (e.g. electric vehicles), and implement initiatives including boiler upgrade and electricity conservation to achieve synergy effects on pollution and carbon reduction

Aspects	Targets	Plans and Action Case Studies
Solid Waste Management	• Reducing the amount of wastewater, wastepaper and solid waste by 30% in 5 years with FY2019 as the baseline year • There are no events impacting the environment caused by waste management during the reporting year	• Encourage all units to conserve materials, recycle office supplies where feasible, recycle materials such as office paper to reduce waste generation • Strengthen the accountability and standardised implementation of the waste management system, as well as improving the supervision and inspection of daily work
Water Resources	• Control the water intensity at 7.5 m^3/employee in 5 years with FY2020 as the baseline year	• Provide employees with water-saving training and raise all employees' environmental awareness through activities such as water-saving initiatives • Detect water supply system leakage regularly
Energy Efficiency	• Reduce the use of electricity and fossil fuels by 25% in 10 years with FY2020 as the baseline year	• Transition towards clean energy and new energy vehicles and actively explore the possibility of boiler upgrade • Prioritise energy-saving models in procurement and gradually replace energy-intensive equipment with energy-saving equipment to improve energy efficiency

During the year under review, the Group incorporated the established environmental targets and indicators into the annual performance appraisal of the management at all levels while continuously updating its emission reduction measures to minimise the environmental impacts of operations, striving for low-carbon green development.

A.4 Climate Change

Since extreme weather events associated with climate change have brought severe impacts on the ecosystem and human society, climate change has become one of the major threats to human survival. Realising the urgency of mitigating climate change, the Group has established a Risk Management Department with reference to the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"). The Risk Management Department assesses potential climate-related risks and their financial impacts, as well as strengthening key aspects of the risk management, so as to uphold the principle of "Forecast before risk, Manage the risk, Analyse after the risk". The Group actively analyses, identifies, and evaluates the climate-related physical and transition risks in its business operations and has identified the following means to create a low-carbon and climate-resilient business model.

Risk		Potential Impact
Physical Risk	• Increased severity and frequency of extreme weather events such as cold waves, blizzards and strong winds	• More frequent and intense extreme weather events may disrupt the Group's daily operations, damage infrastructures, and destabilise supply chains
	• Changes in precipitation patterns and increased severity of water shortages	• Since gas refuelling stations require stable water supply for cleaning and equipment inspections, changing precipitation patterns and the resulting water shortages may seriously affect corresponding business operations
Transition Risk	• Changes in customer behaviour • Uncertain market signals • Increased costs of raw materials	• These risks may affect the Group's products/services and supply chain management and may lead to fluctuations in energy prices, affecting operational cost and capital allocation
	• Uncertainties of new technology	• The development of new technologies may potentially help with the Group's sustainable operations, yet, the instability and immaturity of these technologies means expected financial returns of investments may not be realised

Risk	Potential Impact
Opportunity • Shifting consumer preferences for green energy • Facilitate the development of diversified business models	• In view of consumers' increasing concerns and awareness of energy conservation and emission reduction, the Group has transformed ahead of schedule and integrated green development concepts into its business development strategy to enhance the Group's reputation, raise its competitiveness among peers, and attract a wider range of investors • Taking the advantage of the China's strong support for clean energy development, the Group has leveraged its own strengths to actively explore different areas related to its main business, striving to promote business development and diversify revenue sources. In addition, the Board has actively identified strategic cooperation while conducting acquisition and exploring development opportunities in the field of new energy.

To effectively address climate-related risks, the Group has implemented a series of management measures, including establishing the "Major Risk Emergency Management Mechanism" and issuing the "Severe Weather Emergency Management Measures", as well as investing resources to improve environmental compliance and provide related training. The Group formulates energy management KPIs to quantify the performance of the Group's environmental protection practices and review the Group's transformation progress towards a low-carbon environmental protection model, which are reviewed by the Board through annual management reports. In addition, the Board is composed of relevant professionals and has maintained stable long-term cooperation with external professionals to ensure it acknowledges the updated climate-related information in a timely manner, so as to lead the Group towards low-carbon green development.

In the future, the Group plans to set more aggressive climate-related targets to further enhance its climate resilience through practical actions, thereby contributing to the realisation of the "30.60" goal.

VI SOCIAL SUSTAINABILITY

B.1 Employment

The Group regards talents as the key to corporate success and the main creator of corporate value. Therefore, the Group values the capabilities of its employees and safeguards their rights and interests. The Group is also committed to providing a stable, inclusive, and supportive career development platform for all employees, enabling them to maximise their potential with their professional skills. As of 31 December 2023, the Group had a total of 1,493 employees, including 986 males and 507 females, all of whom were full-time employees.

The Group's Employees Distribution in Gender and Age in FY2023

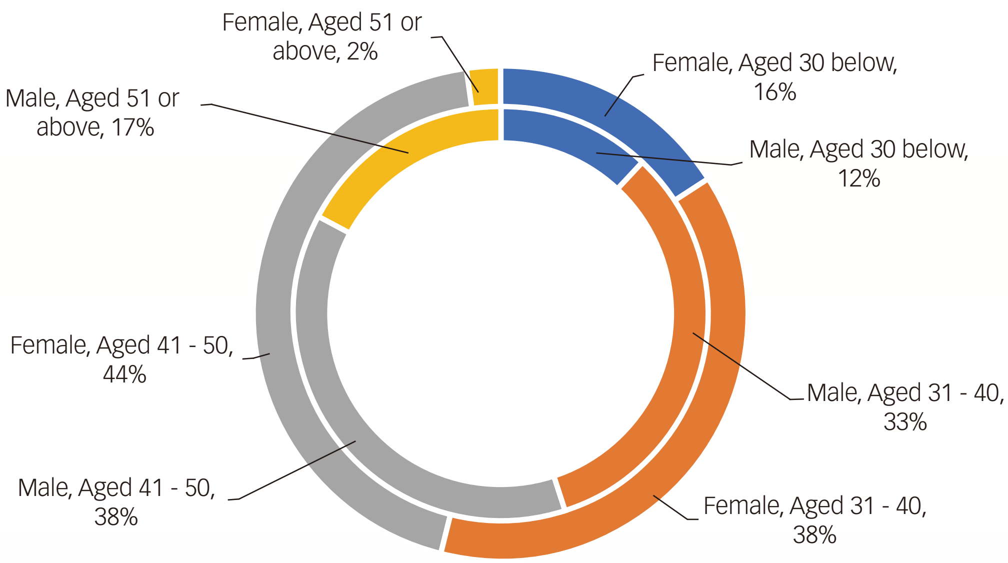


Table 3 – Total Number of Employees by Gender, Age and Geographical Location in FY2023[1]

Unit: Number of employees	Age Group				
Gender	Aged 30 or below	Aged 31–40	Aged 41–50	Aged 51 or above	Total
Male	124	323	374	165	986
Female	79	194	324	10	507
Total	203	517	598	175	1,493

Geographical Location	
Area	Number of employees
Changchun	929
Dandong	189
Wuchang	7
Jilin	31
Helong	5
Siping	5
Yanji	59
Dehui	9
Songyuan	12
Huadian	17
Meihe	8
Wangqing	4
Baicheng	16
Baishan	13
Jiaohe	9
Anshan	5
Wafangdian	8
Shenyang	137
Liaoyuan	18
Longjing	7
Huichun	5

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 in FY2023[1]

Unit: Number of employees	Position			
Gender	General employees	Middle management	Senior management and Directors	Total
Male	923	46	17	986
Female	472	30	5	507
Total	1,395	76	22	1,493

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.*

Compliance

Since its establishment, the employment policies of the Group have complied with relevant laws and regulations and have been continuously updated according to social changes and the updated laws and regulations. In FY2023, the Group adhered to 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.

The Human Resources Department of the Group is responsible for regularly reviewing, updating, and overseeing the implementation and progress of pertinent internal policies of the Group such as the "Employee Handbook" and "Employment Management Regulations" in accordance with the updated laws and regulations, aiming to stipulate regulations on employee's code of conduct, reward and punishment management, personnel management, training management, salary management and promotion management.

Recruitment and Promotion

The Group believes attracting and retaining talents is core for enhancing industry competitiveness. Therefore, the Group adheres to the people-oriented development strategy, regularly reviewing its remuneration plans and evaluating the abilities and performance of its employees to ensure their efforts and contributions are recognised by the Group. The Group has formulated and managed recruitment matters following the "Employment Management Regulations". The Group has also adopted a series of transparent procedures to ensure the "Open, Fair, Competitive, Merit-based" principle is applied throughout the recruitment process. Among all, the "Employment Management Regulations" clearly regulates the employment types, employment ages, medical examination requirements, insurance payments and reporting procedures to further standardise the recruitment process. Meanwhile, the Group resolutely eliminates any forms of discrimination while safeguarding the equal employment rights of employees through multiple channels. In FY2023, the Group cooperated with colleges and universities to organise a number of campus recruitment activities, including the Changchun University Double Election, the Changchun University of Technology Career Talk and the Jilin University of Finance and Economics Career Talk.

Based on the "Building the Employer's Brand and Enhancing the Overall Competitive Advantage of the Group" principle, the Group adopts a strategy of combining internal selection and external recruitment to attract and retain outstanding talents. The Group provides fair and competitive remuneration packages and benefits based on candidates' performance, personal attribute, work experience and career aspiration. In addition, the Group benchmarks market standards for employee promotion and integrates the standards stated in the "Employee Handbook", classifying employee grades into three levels: C, D and E. Based on the annual performance appraisals and competency evaluations, the Group provides promotion opportunities to employees who showcased outstanding performance in their positions and have great potential for professional development. Meanwhile, the Group encourages employees to pursue horizontal career development and vertical promotion through self-learning and efforts to improve collectively with the Group.

Compensation and Dismissal

In accordance with the relevant laws of local jurisdictions, the Group continuously reviews its remuneration system, regularly assesses and evaluates the work performance and potential of employees, and updates corporate remuneration plans following industry standards. In order to recognise the efforts of employees and lift internal spirit, the Group regularly conducts salary reviews and adjustments with reference to the previous year's compensation practice, operating performance, Consumer Price Index (CPI index), and industry benchmarks while strictly keeping the salary information of employees confidential in accordance with the "Employee Salary Confidentiality Management Measures".

In addition, the Group strictly prohibits any forms of unfair or illegal dismissal and requires all hiring, promotion or termination of employment contracts to be based on a reasonable and legal ground. The Group has developed and implemented stringent internal policies, with the policies stipulated in employment contracts. The Group has also formulated strict human resources management policies to manage dismissal procedures. Employees shall give 30 days prior notice in advance of resignation and fill out a resignation application form to indicate the reason for resignation. Employee's resignation application is reported to the Human Resources Department in a timely manner once approved and the resignation procedure can be started after the Human Resources Department's review. Employees in special positions need to undergo a resignation audit before leaving. For employees who violate the employment policies of the Group, the Group will give a verbal warning before the issuance of a written warning letter. In case the employee repeatedly makes the same mistakes despite being warned, the Group will terminate its employment contracts on a reasonable and legal basis in accordance with national laws and regulations.

In FY2023, the total employee turnover rate of the Group was 16.6%.

Table 5 – Employee Turnover Rate by Gender, Age Group and Geographical Location in FY2023[1]

Unit: Number of Employees	Age Group				
Gender	**Aged 30 or below**	**Aged 31–40**	**Aged 41–50**	**Aged 51 or above**	**Total**
Male	50	69	32	11	162
Male employee turnover rate (%)	40.3	21.4	8.6	6.7	16.4
Female	23	32	30	1	86
Female employee turnover rate (%)	29.1	16.5	13.4	10.0	17.0
Total	73	101	62	12	248
Total employee turnover rate (%)	36.0	19.5	10.4	6.9	16.6

	Geographical Location	
Area	**Employee turnover**	**Employee turnover rate (%)**
Changchun	172	18.5
Dandong	1	0.5
Wuchang	5	71.4
Helong	4	80.0
Siping	2	40.0
Antu	1	100.0
Dehui	4	44.4
Wangqing	1	25.0
Panshi	5	100.0
Jiaohe	2	22.2
Anshan	3	60.0
Shenyang	5	3.6
Liaoyuan	5	27.8
Longjing	6	85.7
Tonghua	1	100.0
Dongfeng	31	100.0

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 FY2023 by the number of employees in FY2023. 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

In accordance with local employment laws including the "Provisions of the State Council on Employees' Working Hours", the Group has formulated internal policies such as "Regulation on Management of Employee's Attendance" and "Regulation on Management of Employee's Attendance" in the "Employee Manual" to strictly control the working time of employees and establish relevant reward and punishment systems. In addition to basic paid annual leaves and statutory holidays, employees are also entitled to additional paid leave benefits, such as sick leave, marriage leave, maternity leave, and condolence leave. Before taking leave, employees shall fill out an employee leave application form to specify the reasons and time for the leave. The leave only takes effect after the supervisors signed and approved.

Equal Opportunity and Anti-discrimination

As an equal-opportunity employer, the Group promotes anti-discrimination and equal opportunity in all human resources and employment decisions. At the same time, the Group has always been committed to creating a working environment that facilitates fair competition, mutual respect, and inclusiveness for all employees to stimulate their potential and creativity. To this end, the Group consistently standardises and strengthens its operating practices and resolutely prohibits any behaviours that may violate the principles of equal opportunity and anti-discrimination. The Group insists on being fair and just to all employees in regard to employment, training and promotion opportunities, dismissal and retirement in all business departments, ensuring decisions are not determined by employees' age, gender, marital status, pregnancy status, family status, disability, race, color, descent, national or ethnic origin, nationality, religion or any other non-job-related factors.

Besides, the Group has zero tolerance for any forms of discrimination, harassment, bullying or abuse while encouraging employees to report any potential discrimination issues to the Human Resources Department. Upon receiving the relevant reports, the Human Resources Department of the Group is responsible for evaluating, addressing, and documenting the corresponding complaints while taking necessary disciplinary actions against the involved personnel.

In order to promote equal opportunities and eliminate all forms of discrimination throughout the Group, the Group values effective communication between the management and general employees. In FY2023, the Group held employee mutual communication forum to understand employees' concerns and expectations in a timely manner and make adjustments based on their feedback.

Other Benefits and Welfare

The Group pays attention to the physical and mental health of its employees and provides employees with work-related injury insurance in accordance with relevant national laws and regulations. Meanwhile, aiming to maintain positive working vibes and enhance team cohesion, the Group actively organises team-building activities to help employees relieve work pressure, broaden their horizons, and enhance morale. In addition, the Group also provides employees with fully equipped dormitories to ensure their quality of life. During the year under review, the Group actively arranged different forms of team activities including employee skills competitions and holiday celebrations to raise team cohesion and facilitate employee communication and collaboration.

In FY2023, the Group complied with 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, as well as other laws and regulations that have a significant impact on the Group.

B.2 Health and Safety

The health and safety of employees are vital parts of the Group's corporate management, which could affect employee well-being, work efficiency, and the overall operation of the Group. Therefore, the Group always prioritises the health and safety of its employees and spares no efforts to maintain a healthy, safe, stable, and reliable working environment for employees. In FY2023, the Group strictly implemented its internal safety and health policies, and abided by 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".

At its leadership level, the Group has established a Central Safety Committee composed of the Group's president, vice presidents, and managers of different business segments, which is responsible for comprehensively overseeing the implementation of the Group's safety policies at various levels and business segments. Meanwhile, the Safety and Environment Department of the Group is responsible for regularly inspecting, reviewing, and managing the execution of its occupational health and safety-related policies while tracking non-compliance situations to urge timely rectifications of responsible departments. In addition, the Group's occupational safety management team is responsible for training employees to implement national laws, regulations, rules, and standards on occupational hazard prevention and control. The team also supervises the implementation of the occupational hazard prevention and control responsibility system at all levels, intending to minimise employees' occupational risks and hazards in operations.

To strengthen the management of occupational disease prevention, the Group strictly follows and thoroughly implements laws, regulations, and policy standards related to occupational disease prevention. Meanwhile, the Group standardises the safe work process through policy formulation and adheres to the principle of "Responsibility at All Levels, Each Performs Its Duty". At the same time, the Group regularly dissipates clear information related to occupational disease prevention and occupational health and safety responsibilities to all personnel of gas refuelling stations. The Group also stipulates issues pertaining to safety and health in the reward and punishment management system to strictly punish relevant personnel who violates safety and fire prevention management, sanitation management, and safe operating procedures.

Adhering to health and safety policies of "Full Safety", "Environmental Improvement", "Precaution First", "Sustainable Development", "People-Oriented" and "Health Protection", the Group carried out various occupational safety and health training during the year under review and mandated units at all levels to incorporate occupational disease-related training into the annual plans. In addition, the Group conducts workplace occupational hazard inspections at operation sites annually and arranges occupational health examinations for employees. If there is any occupational hazard incidents, the Group requires the responsible units to report to the local Work Safety Administrative Department promptly and accurately and take effective measures to reduce or eliminate hazardous factors to limit the influence of the incidents. The Group strictly prohibits late reporting, under-reporting, false reporting or concealment of occupational hazard incidents.

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

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 cars and pump oil from the fuel tank in the explosion-proof zone

03 *Oil and gas mixed 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

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

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

The Group has formulated and implemented relevant response measures for emergencies. The accident response team is responsible for implementing emergency responses, with the team leader taking the responsibility to fully handle the accident and follow the emergency rescue procedures, namely

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 declaration, to properly handle any emergency

The Group requires its transportation business to abide by the established "Emergency Plan for Production Safety Accidents" to formulate clear requirements and regulations regarding the responsibilities of emergency agencies, emergency measures and supports, and post-treatments. Meanwhile, the Group requires relevant personnel to conduct strict safety inspections on transportation vehicles before, during, and after daily utilisation and report the vehicle status. To strengthen the main accountability of safe production, the business segment has also established the "Hidden Danger Investigation and Governance Statistical Analysis Management System" to identify and eliminate accident risks and insufficiencies in daily operations, so as to protect the lives and property of the Group and the public. During the year under review, the Group conducted emergency drills for vehicle electrical fires, material leaks and traffic accidents.

Since 2012, the Group has appointed a third-party industrial safety consulting company to provide safety management consulting services on a regular basis. In addition, the Group has installed monitoring systems in oil and gas refuelling stations to realise real-time facility safety control. The Group has also assigned 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	FY2023	FY2022	FY2021
Number of work-related fatalities	0	0	1
Rate of work-related fatalities (in every hundred employees)	0	0	0.06

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 FY2023, the Group encountered one case of work-related injury, in which one employee was injured and the number of working days lost due to work-related injuries was 30 days. The Group carefully reviewed and analysed the cause of the incident and formulated relevant improvement measures to prevent similar incidents from happening again. During the year under review, the Group did not violate any relevant laws and regulations related to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

B.3 Development and Training

The Training Vision of the Group

To assist the rapid development of the Group's commercialisation and based on customer-oriented services to 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.

The Group regards employees as its most valuable asset and is committed to improving employees' capabilities to promote mutual growth between employees and the Group. To this end, the Group strictly implements training management procedures while designing and providing appropriate training courses based on employees' needs. Specifically, the Human Resources Department formulates and executes the Group's training policies, guidelines, and plans while taking the responsibility to arrange training courses, design lesson materials, and guide business units to carry out training. In accordance with internal policies, the Group carried out a number of online and offline training activities through the training and development centre in the Changchun City of Jilin Province and online training platforms in the reporting year, including training on integrated emergency plan for production safety accidents, barriers removal of customer service, occupational health knowledge, and emergency preparedness before snow disaster freezing.

The Group conducts strict and standardised training management, stipulating the basic steps for organising training, which include five steps: training need analysis, training plan formulation, training plan implementation, training effect evaluation, and application of assessment results. The Group requires new employees to undergo occupational health training before they start their duties, which covers learning the basic knowledge and hazards of petroleum products, risks of the position and countermeasures, safety issues in gas refuelling station operations, etc. New employees are required to pass the corresponding assessment before taking up the job. When making job transfers, employees must undergo targeted occupational health training and pass relevant assessments before starting the new posts. Personnel from external parties must refer to the Group's regulations on occupational safety and health training and only take up their posts after completing the training and passing the assessment. In view of the nature of the Group's business, the training offered by the Group focuses on safety issues, and current employees are mandated to have occupational health training at least twice a year. All occupational health training must be documented in accordance with the training file management policy.

Table 7 – Number and Percentage of Employees Trained by Gender and Position in FY2023[1]

Number of employees	Position			
Gender	General Employees	Middle Management	Senior Management and Directors	Total
Male	923	46	17	986
% of employees trained	61.8	3.1	1.1	66.0
Female	472	30	5	507
% of employees trained	31.6	2.0	0.3	34.0
Total	1,395	76	22	
% of employees trained	93.4	5.1	1.5	
Total number of employees				1,493
Total number of trained employees				1,493
% of total employees trained				100.0

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 FY2023. 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 FY2023[1]

Unit: Hour	Position			
Gender	General Employees	Middle Management	Senior Management and Directors	Total
Male	22,152	2,208	612	24,972
Average training hour	24.0	48.0	36.0	25.3
Female	11,328	1,440	180	12,948
Average training hours	24.0	48.0	36.0	25.5
Total	33,480	3,648	792	37,920
Average training hours	24.0	48.0	36.0	25.4

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 FY2023, the Group complied with the Labor Law of the People's Republic of China and other relevant labour laws and regulations to prohibit child labour or forced labour employment. In order to resolutely avoid illegal employment of child labour, underage workers, and forced labour, the Human Resources Department of the Group strictly abides by the "Employee Recruitment Management Regulations", requiring all applicants to provide valid identity documents and fill in personal details on the employee registration forms, so as to ensure they are legitimate for employment. In addition, the Human Resources Department reviews employees' relevant information according to the Employee Entry Checklist. Relevant employment procedures will only be initiated once employees have provided complete information before joining the company. The Human Resources Department takes the responsibility to monitor and ensure the policies and practices of the Group comply with laws and regulations pertaining to child labour and forced labour prohibition. In case of any violations of the labour standards, the Group will immediately terminate the employment contract.

During the year under review, the Group was not in violation of any 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

Procurement and supply chain management are essential to the Group's business operations. The Group fully acknowledges that a stable and healthy supply chain is fundamental to the sustainable development of its business. To this end, the Group has continuously optimised its ESG management system since its establishment, striving to fulfil environmental and social responsibilities actively while identifying and controlling potential risks in the supply chain. The supply chain management team of the Group is responsible for evaluating suppliers based on indicators such as their operational compliance, industry qualifications and performance, and the quality of products or services. The supply chain management team conducts internal inspections and evaluations of suppliers in collaboration every year and updates the list of qualified suppliers based on the inspection results. Meanwhile, the Group has integrated ESG concepts into supplier management to strengthen supplier training on environmental protection and social responsibility and maintain effective communication, thereby reducing potential ESG risks in the Group's value chain.

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 at the warehouse, the laboratory technicians of the quality inspection centre will take sample tests according to the standardised procedure, 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 include the sales of vehicle natural gas at gas refuelling stations, the sales of vehicle petroleum at petroleum refuelling stations and the transportation services of petroleum and natural gas. The main suppliers of the Group consist of state-owned and private enterprises. Through railway and road transportation, suppliers provide gasoline, diesel, natural gas, chemical products, etc. to the Group. The Group has formulated and implemented the "Procurement Management System" to standardise the supply process, including determining purchase intentions, signing contracts, making payments on time, shipping and picking up goods, and quality inspection and inbound.

Gas and petroleum refuelling station business

The selection and employment 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; and

5. Credibility, etc.

The Group requires its collaborating suppliers to submit gas and fuel quality inspection reports issued by third parties. In order to effectively reduce potential social and environmental risks in the supply chain, the Group takes suppliers' environmental and social responsibility performance into consideration. During the supplier qualification review process, the Group conducts comprehensive risk identifications and assessments of suppliers through on-site visits and market research. All current collaborating suppliers of the Group are large enterprises with good reputations in the local area.

The Group strictly follows internal procurement policies, including "Gas Procurement Management System" and "Oil Product Procurement Management System", and has assigned the Operation Department to conduct management work such as formulating product procurement plans and supervising the procurement process. The gas refuelling stations must standardise the procurement, acceptance, and product delivery and inspection in accordance with the "Regulations on Gas Inbound and Outbound Management". The Finance Department of the Group is responsible for the payment of gas and oil orders.

The Group generally establishes annual gas supply framework agreements with its suppliers and clearly outlines the pricing, procurement methods, delivery, and payment arrangements in the agreement. The Group simultaneously inspects multiple suppliers to address emergencies such as supplier supply shortages or pricing increases. In order to continuously supervise the quality of the purchased products and services, the Operation Department is responsible for verifying and monitoring the gas and oil inspection reports provided by suppliers. If any substandard or incompliance is found, the Group communicates with the suppliers in a timely manner to supervise and assist them in implementing rectification promptly. Suppliers can only continue cooperating with the Group after the rectification is qualified, otherwise the Group will activate the backup supplier plans. In FY2023, the Group did not encounter any supplier violations or non-compliance.

Transportation business

Oil and gas transportation services mainly involve the transportation of natural gas, LNG, gasoline, and diesel. The transportation business segment of the Group purchases oil products from major oil depots and refineries and then delivers them via transportation fleets to refuelling stations for proper storage and sales. The Procurement Department of the Group strictly regulates the supplier selection and product procurement processes 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". Meanwhile, the Group adopts the tendering method, evaluating bidders' business licenses, tax registration certificates, quality management systems, corporate images, after-sales services, and national compulsory product certifications, such as "Refined Oil Retail Business License" and "Pressure Vessel Production License", etc., to select qualified suppliers for cooperation according to national standards.

The transportation business segment of the Group maintains close relationship with all suppliers to ensure their business operations comply with national and local laws and regulations of their operating places while fulfilling social ethics. The Group maintains a good cooperative relationship with its suppliers and assesses supplier risks through regular visits and surveys. In order to further reduce transportation risks, the Safety Department of the Group is responsible for instructing employees on safe operations to reduce the chance of accidents. At the same time, the Group has established a comprehensive and systematic emergency response mechanism to identify and resolve problems in a timely manner. The Group has also established a dedicated product quality inspection centre to inspect and store products from suppliers following national standards.

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

To effectively control environmental risks in the supply chain, the Group attaches great importance to compliance and only cooperates with suppliers that comply with local environmental regulations and standards. In addition, the Group actively builds a green supply chain by incorporating green procurement policies and concepts into the procurement decision-making process to minimise the environmental impacts of its supply chain management process. For instance, the Group purchases aluminium alloy trailers using bottom-loading oil to reduce the environmental impacts of the vehicles during transportation. Meanwhile, building upon environmental compliance, the Group prioritises local suppliers to minimise transportation air emissions. During the year under review, the Group actively built a local supplier network, with all suppliers in its transportation business segment being local partners, to reflect its determination and commitment to advocate green procurement. The Procurement Departments of each business segment are responsible for coordinating and supervising the implementation of the Group's green procurement principles.

The general supply chain management policy and green procurement policy of the Group apply to all its suppliers. In FY2023, the Group maintained collaborative relationships with a total of 112 suppliers, all of which were in China. Among them, there were 83 suppliers located in the province where the Group's entities were situated and 29 suppliers located in other regions.

B.6 Product Responsibility

The Group strictly complied with laws and regulations relating to its products and services' health and safety, advertising, labelling and privacy matters in FY2023, 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

Adhering to the principles and targets of "Market-oriented, Customer-centric, Brand-based Chain, Management Excellence, and Become a Leading Comprehensive Energy Supply Chain Management Company in China", the Group is committed to strictly managing the transportation efficiency of its products and constantly improving product and service's quality. Each business segment of the Group actively implements the policy requirements of the "Oil Products Quality Management Measures" and "Customer Complaint Handling Management Measures", aiming to fulfil its product and service responsibilities through systematic management networks.

Gas and petroleum refuelling station business

Intending to thoroughly implement the service concept of "Customer-oriented" and the service tenet of "Making Customers Happy and Satisfied", this business segment strictly controls the quality of terminal gas station products to deliver excellent products and precise services to customers while achieving the goal of maintaining the customer satisfaction rate at 90%.

The Operation Department and Quality Management Department of the Group have ensured the safety and reliability of the operation processes through a series of tests. In addition to obtaining key safe operation certificates such as the "Pressure Vessel Use License", "Cylinder Filling Certificate", "Gas Business License", the Group has also passed the ISO 9001 Quality Management Systems certification to guarantee efficient management and operation procedures, ensuring the safe and stable operation of each unit. Meanwhile, the Group has formulated policies such as the "Oil Quality Management Measures" to execute quality control in mining, storing, transporting, and selling aspects. In order to ensure product responsibility is in place, the Group strictly implements the "Regulations on the Management of Submission for Inspection" to clarify the responsibilities of different departments, including:

- The Quality Management Department is responsible for the approval of relevant management regulations and the supervision of inspection procedures;

- The quality inspection centre and the laboratories of each subsidiary are responsible for the inspection of oil products submitted in their respective areas, the summary of oil product inspection results, and the disposal of oil products after inspection; and

- The Retail Management Department, the Product Scheduling Centre, and the station management centres of each subsidiary are responsible for the planning and arrangement of product inspection.

In the event of any product quality incident, the Group will take a series of targeted measures to handle the incident in accordance with the "Oil Quality Management Measures" and orderly recall relevant products based on policy requirements if it is deemed necessary. For example, if an oil depot is determined to be disqualified during unloading, storage, and outbound inspections, the quality inspection centre will immediately report the issue to the oil depot dispatch and the manager of the oil dispatch centre will formulate a solution after deliberation. If the oil depot is found to be unqualified during storage or delivery, the oil in the tank will be suspended from stock-out and the oil dispatch centre and the oil depot are responsible for the investigation and analysis of the failure reasons. The competent department is then responsible for accountability issues.

In FY2023, 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 standardise the handling standards of customer complaints while ensuring efficient resolution of related problems. In order to develop good communication between the Group and its customers, the Group has established the customer complaint investigation and system improvement team and the customer service team of the Retail Management Department to handle customer complaints. The Group conducts regular case analyses and summaries of customer complaints to identify areas for improvement and carry out targeted system optimisation. The Group urges employees to review and learn from experiences through internal sharing to avoid similar incidents from happening again.

As a commitment to ethical corporate operations, the Group abides by the Patent Law of the People's Republic of China, the Intellectual Property Law of the People's Republic of China and the Tort Law of the People's Republic of China, while actively maintaining and protecting its intellectual property rights in accordance with the Patent Technology Confidentiality Management Regulations. The Group has applied and owned 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", etc. If relevant intellectual property rights are infringed, the Group will safeguard its rights through legal means.

The Group strictly complies with laws regarding customer privacy, such as the Law of the People's Republic of China on the Protection of Customer Rights and Interests and other applicable laws and regulations. The Group has established and strictly implemented the "Customer Information Confidentiality System" to standardise the data security management principles, strengthen information security, and enhance customer information protection. Among them, the system clearly states regulations on information types, information authority and use, and corresponding penalties for information leakage. The Group highly emphasises customer privacy and treats personal information collected during business operations as confidential. All employees are strictly prohibited from providing customer information to third parties without the authorisation of customers. In addition, the Group has appointed an external company to manage the database in a unified manner, requiring personnel to obtain approval from the General Manager before accessing relevant information.

The Group acknowledges that consumers are important supporters of its sustainable development. Therefore, the Group insists on safeguarding and protecting the rights and interests of consumers and is committed to creating a trustworthy and prosperous corporate image. The Group complies with the Advertising Law of the People's Republic of China and strictly regulates the way it promotes products. According to internal policies and procedures, the Group signs formal contracts with third parties to conduct reasonable, legal, true, and accurate advertising. In terms of promotional activities and publicity, the Group adopts the standard application forms to regulate the activity forms, involved departments, activity purposes, and activity policies, striving to ensure compliance in activity promotion.

Transportation business

The transportation business of the Group also takes "Customer-oriented" as its core value and strictly implements safety and service-related standards in various service processes. In order to ensure product quality and safety while improving operation and management efficiency, the Group has established internal policies such as the "General Code of Conduct on Safety", the "Hot Work Safety Management Procedures", and the "Work at Heights Safety Management Procedures" and has stringently implemented the following measures:

1. Carry out strict safety inspections 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. Through road risk assessments and real-time monitoring by GPS and videos to ensure the safety and transparency of the transportation processes, aiming to control the vehicle driving routes and determine the 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. Urge drivers to drive safely at all times, not to overload, not speed, and not to drive in a fatigued condition; and

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

In order to ensure the safety of personnel and products during transportation, the Group regularly organises safety training for drivers and improves the professionalism of drivers through an assessment method that combines lectures and written tests. In addition, the Group pays high attention to the service attitude of its employees while requiring employees to promptly understand the issue through monitoring, calls, and onsite communication after receiving suggestions so as to provide feedback to customers in the shortest possible time.

Product and service innovation

The Group believes product and service innovation is a significant driving force for long-term business success. By continuously developing new products or introducing new technologies, the Group has improved its competitiveness and explored new opportunities while meeting changing consumer needs. In FY2023, the Group invested over RMB1 million to continuously improve its technologies and service capabilities, enhance customer satisfaction, and address relevant sustainable development challenges. During the year under review, the Group expanded the application of non-inductive payment at dispensers to enhance customer experience. In addition, the Group newly installed energy vehicle charging pile facilities to provide energy supply for electric vehicle operations while effectively reducing its impact on the environment.

Case Sharing – The Group Actively Explored Strategic Cooperation in Comprehensive Energy Development

On 14 September 2023, the United Strength Power (a subsidiary of the Group) and the Xiaoju Charging (a subsidiary of Xiaoju Energy) launched a strategic cooperation. The two parties reached a consensus on jointly exploring comprehensive energy development in the future. Based on the existing energy retail networks, the Group actively leverages its advantages in new energy technologies and operations to promote the transformation of traditional energy into new energy, committed to being a comprehensive energy service provider.

Since labelling is not applicable to the Group, the relevant information is not disclosed in this ESG report. In FY2023, the Group did not recall any products/services sold for safety and health reasons and did not receive any complaints. 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

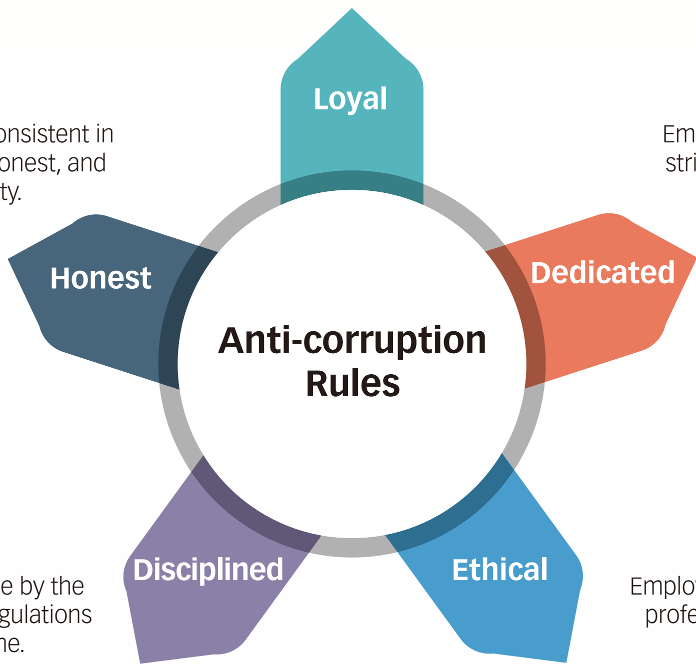
In order to facilitate the corporate value of practising the highest professional ethics and establish a positive corporate culture, the Group strictly abides by laws and regulations related to anti-corruption and bribery in the places where it operates, including the Anti-Corruption Law of the People's Republic of China and the Law of the People's Republic of China on Anti-money Laundering. In the meantime, the Group established the Work Ethics Compliance Internal Audit Department in FY2021, in order to further control operational and management risks that the Group may face, with the department being responsible for investigating and verifying the violations of laws and disciplines within the Group, while guiding and supervising the establishment and implementation of internal management system.

To ensure the effective implementation of anti-corruption related policies and requirements, the Group has formulated relevant guidelines such as the "Employee Handbook" and "Employee Code of Conduct" to regulate employee behaviours and expressly prohibit any fraudulent behaviours. The Group has zero-tolerance to all forms of bribery and corruption, and thus makes use of inspection internal audits, special internal audits, and financial audits to monitor the entire Group. The Group requires all employees to strictly abide by professional ethics and comply with the following guidelines:

The Company is the platform where employees can achieve self-worth. Employees should be loyal to the Company.

Employees should be consistent in words and deeds, be honest, and act with integrity.

Employees should work in a strict, careful, practical, and consistent manner.



Employees should abide by the Company's rules and regulations and work discipline.

Employees should stick to professional ethics and social ethics.

The Group has implemented measure including the "Reporting Hotline Management System", "Conflict of Interest Management System" and "Gift Giving and Receiving Management System". Meanwhile, the Group has established an effective grievance mechanism to encourage employees to report any suspected violations and protect whistleblowers from unfair dismissal or victimisation. Once a report is received, the Group will investigate and verify it according to the following procedures:

➢ Receive the report and record its establishment;

➢ Submit the report to the Board for approval and archive;

➢ Keep whistleblowers and reporting information confidential and initiate independent investigations;

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

➢ Report the conclusion of the investigation to the Board;

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

➢ Announce the case within the Group.

For substantiated illegal and criminal activities, the Group will immediately report to relevant regulatory or law enforcement authorities when the management deems necessary.

In FY2023, the Group organised a total of 2,986 hours of anti-corruption-related training and activities. In January 2023, the Capacity Building Centre of the Group conducted internal training related to the gift acceptance system, conflicts of interest, and employee code of conduct. A total of 98 middle-level and above managers participated in the training. In June 2023, the Group's regional managers arranged a publicity session on the employee code of conduct, with a total of 1,395 general employees participating in the event.

In FY2023, 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 fulfilled its corporate social responsibilities and is committed to creating a more prosperous and sustainable future for local communities. Focusing on people's livelihood, social education, cultural construction, and promoting social harmony, the Group supports and participates in various community activities to positively promote social development and ensure people's well-being.

In FY2023, the Group focused on creating local job opportunities and carrying out various public welfare activities in collaboration with local organisations. Meanwhile, the Group encouraged employee to actively participate in social practice to build a positive corporate culture and construct an excellent team full of responsibility. In the year under review, the Group donated RMB5,000 to the Changchun Swimming Association and organised the "United Strength Chain Cup Children Swimming Charity Competition", striving to promote the development of healthy sports.

In addition, the Group donated RMB60,000 to the Changchun Chinese Chess Association to organise various "United Strength Cup Chinese Chess Competitions", aiming to implement the national fitness spirit and promote traditional culture. The Group aspired to popularise Chinese Chess and enhanced relevant knowledge to promote the long-term development of the Chinese Chess industry.

As the impacts of the pandemic gradually relieve, the focus of corporate social responsibility has been shifted. Looking forward, adhering to the entrepreneurial spirit of the new era, the Group is committed to actively seeking opportunities to participate in community activities while paying attention to the needs of different stakeholders and establishing long-term value orientation. All in all, the Group strives to create lasting positive impacts on the communities it serves to promote sustainable development and enhance social well-being.

VII. REPORT DISCLOSURE INDEX

SEHK ESG Reporting Guide Index

Aspect	ESG Indicator	Description	Page
A. Environmental			
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*	39
	KPI A1.1	The types of emissions and respective emissions data.	40
	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).	40
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	40
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	40
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	48
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	43, 49

Aspect		ESG Indicator	Description	Page
A2:	Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	44
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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.	47
		KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	44
A3:	The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	48
		KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	48
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

Aspect		ESG Indicator	Description	Page
B.	**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.	52
		KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	53
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	56
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.	58
		KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	60
		KPI B2.2	Lost days due to work injury.	60
		KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	58
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*	60
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	61
		KPI B3.2	The average training hours completed per employee by gender and employee category.	62

Aspect		ESG Indicator	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.	62
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	62
		KPI B4.2	Description of steps taken to eliminate such practices when discovered	62
Operating Practices				
B5:	Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	63
		KPI B5.1	Number of suppliers by geographical region.	65
		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.	63
		KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	64, 65
		KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	65
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.	66
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	70

Aspect	ESG Indicator	Description	Page
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	68, 70
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	68
	KPI B6.4	Description of quality assurance process and recall procedures	67, 69
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	68
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
	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	72
	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 55, 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 55, 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 44, 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 57, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Su Dan (蘇丹女士), aged 43, 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 50, 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 61, 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 51, 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 41, 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 56, 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 58, 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 61, 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 52, 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 47, 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 44, 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 2023.

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 12 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 2023 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 2023 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 2023.

CLOSURE OF REGISTER OF MEMBERS

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2023 are set forth in note 23 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 2023, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB694.0 million. The amount of approximately RMB694.0 million includes the Company's share premium account of approximately RMB711.3 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 23 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 2023, 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	35%
Percentage of purchases attributable to the Group's five largest suppliers	67%
Percentage of revenue attributable to the Group's largest customer	3%
Percentage of revenue attributable to the Group's five largest customers	10%

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, 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 2022 and 2023.

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.

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

Non-executive Director

Mr. Xu Huilin (resigned with effect from 29 February 2024)

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 81 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 2023 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 2023 or at any time during the financial year ended 31 December 2023.

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. Ma Haidong and Mr. Wang Zhiwei have entered into a service contract with the Company commencing on 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 2023 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 2023, 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 2023, 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 2023 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 2023, 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 were approved and adopted by the Company on 21 September 2017 (the "**Share Option Scheme**"). 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.

Subject to the Listing Rules, 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 2023, 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 2023.

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 2023, 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 2023, 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 2023.

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 under Provision of Petroleum and Liquefied Gas Transportation Service Agreement, Petroleum Supply Agreement and Refined Oil Products Supply Agreement 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 2023 or as at 31 December 2023 are summarized as follows:

	From 1 January 2023/ the effective date to 31 December 2023 RMB million
Provision of Petroleum and Liquefied Gas Transportation Service Agreement (Annual cap: RMB38 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 announcement dated 11 June 2021. The Company revised the annual caps for the provision of petroleum and liquefied gas transportation service to RMB38,000,000 during 2021. For details, please refer to the announcement of the Company dated 7 December 2021.	21.42
Petroleum Supply Agreement (Annual cap: RMB2,700 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 1 December 2022. Details of the transactions are set out in the announcement dated 1 December 2022 and the circular dated 2 December 2022.	2,581.76
Refined Oil Products Supply Agreement (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 1 December 2022. Details of the transactions are set out in the announcement dated 1 December 2022.	18.43

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.

During the year ended 31 December 2023, a subsidiary of the Group pledged certain property, plant and equipment for a bank loan to Changchun Yitonghe Petroleum Distribution Company Limited ("**Changchun Yitonghe**"). As at 31 December 2023, the carrying amount of pledged property, plant and equipment amounted to approximately RMB27.426 million. Further details are set out in Note 26 to the consolidated financial statements.

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in Note 26 to the consolidated financial statements.

The related party transactions included in Note 26(a) to the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Director's Report as required by Chapter 14A of the Listing Rules, except for certain service income, operating lease income from related parties which are exempted from disclosure. The related party transactions included in Note 26(b) to the consolidated financial statements did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

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 2023. 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

27 March 2024

INDEPENDENT AUDITOR'S REPORT

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 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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 and implementation 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 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 2023, 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;

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 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; and – 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.

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 IFRS Accounting Standards as 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 Yu Wai Sum.

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

27 March 2024

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	4	**7,346,895**	6,089,366
Cost of sales		**(6,924,632)**	(5,696,264)
Gross profit	4(b)	**422,263**	393,102
Other income	5	**10,053**	6,514
Staff costs	6(b)	**(158,532)**	(154,857)
Depreciation expenses	6(c)	**(71,702)**	(77,471)
Impairment reversal/(loss) on trade receivables	24(a)	**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	13	**(15,135)**	(13,816)
Finance costs	6(a)	**(34,390)**	(36,268)
Profit before taxation	6	**64,073**	36,872
Income tax	7	**(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)	10	**0.11**	0.04

The notes on pages 108 to 171 form part of these financial statements.

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

The notes on pages 108 to 171 form part of these financial statements.

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	*11*	**488,498**	537,767
Investment properties		**1,711**	1,872
Interest in an associate	*13*	**52,185**	66,911
Deferred tax assets	*22(b)*	**39,237**	15,907
		581,631	622,457
Current assets			
Inventories	*14*	**185,439**	136,267
Trade receivables	*15*	**34,258**	67,991
Prepayments, deposits and other receivables	*16*	**948,828**	586,312
Income tax recoverable	*22(a)*	**7,573**	3,780
Cash at bank and on hand	*17*	**156,867**	138,647
		1,332,965	932,997
Current liabilities			
Bank and other loans	*18(a)*	**351,778**	298,925
Trade payables	*19*	**27,160**	63,901
Accrued expenses, other payables and contract liabilities	*20*	**665,671**	358,615
Lease liabilities	*21*	**82,317**	87,229
Income tax payable	*22(a)*	**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
Non-current liabilities			
Bank and other loans	*18(b)*	**42,000**	–
Lease liabilities	*21*	**216,328**	264,732
Deferred tax liabilities	*22(b)*	**3,467**	4,128
		261,795	268,860
NET ASSETS		**512,107**	467,624

	Note	**At 31 December 2023 RMB'000**	At 31 December 2022 RMB'000
CAPITAL AND RESERVES	*23*		
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

Approved and authorised for issue by the board of directors on 27 March 2024.

Zhao Jinmin
Chairman

Liu Yingwu
Director

The notes on pages 108 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 23(c))*	Share premium RMB'000 *(Note 23(d)(i))*	Other reserve RMB'000 *(Note 23(d)(ii))*	Statutory reserve RMB'000 *(Note 23(d)(iii))*	Exchange reserve RMB'000 *(Note 23(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 23(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	711,315	(700,106)	15,000	7,633	362,549	428,684	38,940	467,624

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 23(c))*	**Share premium RMB'000 *(Note 23(d)(i))***	**Other reserve RMB'000 *(Note 23(d)(ii))***	**Statutory reserve RMB'000 *(Note 23(d)(iii))***	**Exchange reserve RMB'000 *(Note 23(d)(iv))***	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2023	**32,293**	**711,315**	**(700,106)**	**15,000**	**7,633**	**362,549**	**428,684**	**38,940**	**467,624**
Changes in equity for 2023:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**39,489**	**39,489**	**3,815**	**43,304**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**1,330**	**–**	**1,330**	**(46)**	**1,284**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,330**	**39,489**	**40,819**	**3,769**	**44,588**
Distributions to non-controlling equity holder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(105)**	**(105)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**(105)**	**(105)**
Balance at 31 December 2023	**32,293**	**711,315**	**(700,106)**	**15,000**	**8,963**	**402,038**	**469,503**	**42,604**	**512,107**

The notes on pages 108 to 171 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	**2023 RMB'000**	2022 RMB'000
Operating activities			
Profit before taxation		**64,073**	36,872
Adjustments for:			
Depreciation expenses	*6(c)*	**71,702**	77,471
Net (gain)/loss on disposal of property, plant and equipment	*5*	**(164)**	97
Net gain on disposal of subsidiaries	*5*	**(1,300)**	–
Finance costs	*6(a)*	**34,390**	36,268
Interest income	*5*	**(1,190)**	(657)
Share of results and impairment loss of an associate	*13*	**15,135**	13,816
Changes in working capital:			
Increase in inventories		**(50,281)**	(56,242)
Decrease/(increase) in trade receivables		**33,739**	(29,645)
(Increase)/decrease in prepayments, deposits and other receivables		**(362,843)**	14,328
Decrease in trade and bills payables		**(36,522)**	(50,046)
Increase in accrued expenses, other payables and contract liabilities		**313,144**	106,752
Cash generated from operations		**79,883**	149,014
Income tax paid	*22(a)*	**(45,085)**	(55,492)
Net cash generated from operating activities		**34,798**	93,522
Investing activities			
Payments for purchase of property, plant and equipment		**(48,216)**	(12,137)
Proceeds from disposal of property, plant and equipment		**4,738**	302
Net proceeds from disposal of subsidiaries		**520**	–
Interest received		**1,190**	657
Net cash used in investing activities		**(41,768)**	(11,178)

	Note	2023 RMB'000	2022 RMB'000
Financing activities			
Proceeds from bank and other loans	17(b)	**404,778**	262,300
Repayment of bank and other loans	17(b)	**(309,925)**	(216,453)
Capital element of lease rentals paid	17(b)	**(35,935)**	(46,505)
Interest element of lease rentals paid	17(b)	**(21,500)**	(27,689)
Dividends paid to equity shareholders of the Company	17(b)	**–**	(8,176)
Distributions paid to non-controlling equity holder of a subsidiary	17(b)	**(105)**	(91)
Net increase in pledged bank deposits		**(32,000)**	(30,150)
Interest paid	17(b)	**(12,228)**	(9,490)
Net cash used in financing activities		**(6,915)**	(76,254)
Net (decrease)/increase in cash and cash equivalents		**(13,885)**	6,090
Cash and cash equivalents at 1 January	17(a)	**60,297**	53,574
Effect of foreign exchange rate changes		**105**	633
Cash and cash equivalents at 31 December	17(a)	**46,517**	60,297

The notes on pages 108 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 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.

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(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.

Judgements made by management in the application of IFRS Accounting Standards 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 2023 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 2023	**42**	**2**	**39**	**1**
At 31 December 2022	46	2	41	1

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

(i) New and amended IFRS Accounting Standards

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

- International Financial Reporting Standard ("IFRS") 17, *Insurance contracts*
- Amendments to International Accounting Standard ("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 IFRS Accounting Standards 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) New and amended IFRS Accounting Standards (continued)

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 22(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.

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the Hong Kong Institute of Certified Public Accountants ("HKICPA") published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of IAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

The new HKICPA guidance do not have a material impact on the Group's consolidated financial statements.

2 MATERIAL 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 to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI 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 NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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 (or included in a disposal group classified as held for sale).

2 MATERIAL ACCOUNTING POLICIES (continued)

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). It is initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's 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 associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(i)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

(f) Investment property

Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with Note 2(s)(ii)(a).

2 MATERIAL ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

The items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs (see Note 2(u)), less accumulated depreciation and any accumulated impairment losses (see Note 2(i)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Depreciation methods, useful lives and residual value are reviewed at each reporting date and adjusted if appropriate.

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 MATERIAL ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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

The Group 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. Otherwise, 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)(ii)(a).

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:

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

– contract assets; and

– lease receivables.

2 MATERIAL 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. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect 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.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs.

2 MATERIAL 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

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor 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).

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. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

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;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off 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 MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been 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 MATERIAL ACCOUNTING POLICIES (continued)

(j) Inventories and other contract costs

(i) Inventories

Inventories are measured 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.

(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)).

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. Otherwise, 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.

Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(s)(i)).

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(i)(i)) and are reclassified to receivables when the right to the consideration becomes 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)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(l)).

(l) Trade and other receivable

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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 (see Note 2(i)(i)).

2 MATERIAL ACCOUNTING POLICIES (continued)

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with 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 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 (see Note 2(i)(i)).

(p) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

2 MATERIAL ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes 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.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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.

(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.

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

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) *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.

(b) *Render of services*

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(c) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) 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 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 MATERIAL ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(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.

2 MATERIAL 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 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:

	2023 RMB'000	2022 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 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 2023 (2022: Nil). Details of the Group's concentrations of credit risk are set out in Note 24(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, 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.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

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 RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total 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 RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total 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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	**7,436,401**	6,162,120
Elimination of inter-segment revenue	**(89,506)**	(72,754)
Consolidated revenue *(Note 4(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.

5 OTHER INCOME

	2023 RMB'000	2022 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

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2023 RMB'000	2022 RMB'000
Interest expenses on:		
– bank and other loans	**12,228**	9,490
– lease liabilities *(Note 11(b)(ii))*	**22,162**	26,778
	34,390	36,268

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

(b) Staff costs:

	2023 RMB'000	2022 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.

6 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2023 RMB'000	2022 RMB'000
Depreciation expenses:		
– owned property, plant and equipment *(Note 11)*	**27,106**	28,721
– right-of-use assets *(Note 11)*	**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 *(Note 11(b)(ii))*	**2,428**	1,679
Auditors' remuneration – audit services	**5,800**	5,800
Cost of inventories *(Note 14(b))*	**6,904,915**	5,670,377

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 RMB'000	2022 RMB'000
Current taxation *(Note 22(a))*		
Provision for the year	**44,760**	27,445
Deferred taxation *(Note 22(b))*		
Origination and reversal of temporary differences	**(23,991)**	(9,524)
	20,769	17,921

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

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

	2023 RMB'000	2022 RMB'000
Profit before taxation	**64,073**	36,872
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**19,585**	13,372
Tax effect of non-deductible expenses	**573**	2,278
Tax concessions *(Notes (iv) and (v))*	**(1,569)**	(599)
Tax effect of share of results and impairment loss of an associate	**2,497**	2,280
Tax effect of unused tax losses and temporary differences not recognised	**(317)**	590
Actual tax expense	**20,769**	17,921

Notes:

(i) 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 2023 (2022: 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 2023 (2022: 25%).

(iv) Pursuant to tax relief policies issued by Ministry of Finance and State Taxation Administration of the PRC in 2023, certain companies of the Group established in the PRC (excluding Hong Kong), which meet the stipulated small scale operations are subject to preferential tax rates of 5% for their taxable profits for the year ended 31 December 2023 (2022: ranged from 2.5% to 5%).

(v) One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% (2022:15%) applicable for enterprise with advanced and new technologies.

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:

	2023				
	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	–	1,319	–	59	1,378
Mr Liu Yingwu	–	995	–	59	1,054
Mr Wang Zhiwei	–	326	–	56	382
Mr Ma Haidong	–	326	–	58	384
Non-executive director					
Mr Xu Huilin (resigned on 29 February 2024)	–	324	–	–	324
Independent non-executive directors					
Ms Su Dan	270	–	–	–	270
Mr Lau Ying Kit	270	–	–	–	270
Mr Zhang Zhifeng	270	–	–	–	270
	810	3,290	–	232	4,332

8 DIRECTORS' EMOLUMENTS (continued)

	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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: three) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2022: two) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, discretionary bonuses and other emoluments	2,329	1,545
Retirement scheme contributions	110	31
	2,439	1,576

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:

	2023 Number of individuals	2022 Number of individuals
HK$ Nil – HK$1,000,000	1	1
HK$1,000,001 – HK$1,500,000	2	1
	3	2

10 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 ordinary shares (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.

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 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
Cost:						
At 1 January 2023	**87,745**	**127,036**	**133,857**	**5,809**	**548,612**	**903,059**
Additions	**6,515**	**2,734**	**7,133**	**7,103**	**22,955**	**46,440**
Transfer in/(out)	**–**	**269**	**5,005**	**(5,274)**	**–**	**–**
Disposal of subsidiaries	**(74)**	**(745)**	**(737)**	**–**	**–**	**(1,556)**
Disposals	**(7)**	**(1,480)**	**(5,393)**	**–**	**(27,538)**	**(34,418)**
At 31 December 2023	**94,179**	**127,814**	**139,865**	**7,638**	**544,029**	**913,525**
Accumulated depreciation and impairment losses:						
At 1 January 2023	**36,823**	**87,939**	**101,228**	**–**	**139,302**	**365,292**
Charge for the year	**2,676**	**8,605**	**15,825**	**–**	**44,435**	**71,541**
Written back on disposal of subsidiaries	**(29)**	**(276)**	**(704)**	**–**	**–**	**(1,009)**
Written back on disposals	**(4)**	**(1,012)**	**(4,190)**	**–**	**(5,591)**	**(10,797)**
At 31 December 2023	**39,466**	**95,256**	**112,159**	**–**	**178,146**	**425,027**
Carrying amount:						
At 31 December 2023	**54,713**	**32,558**	**27,706**	**7,638**	**365,883**	**488,498**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts (continued)

At 31 December 2023, property certificates of certain properties with carrying amounts of RMB915,000 (2022: RMB988,000) 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 2023 RMB'000	At 31 December 2022 RMB'000
Land use rights *(Note 11(b)(iii))*	**137,688**	122,799
Buildings and properties *(Note 11(b)(iv))*	**597**	2,972
Refuelling equipment, storage facilities and related equipment *(Note 11(b)(iv))*	**227,598**	283,539
	365,883	409,310

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset *(Note 6(c))*:		
– Land use rights	**4,958**	4,402
– Buildings and properties	**2,375**	2,388
– Refuelling equipment, storage facilities and related equipment	**37,102**	41,164
– Motor vehicles and other equipment	**–**	633
	44,435	48,587
Interest expenses on lease liabilities *(Note 6(a))*	**22,162**	26,778
Operating lease charges relating to short-term leases and leases of low-value assets *(Note 6(c))*	**2,428**	1,679

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 17(c) and 21, 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 2023 RMB'000	At 31 December 2022 RMB'000
Buildings and properties	**4,367**	3,861
Motor vehicles and other equipment	**80**	92
	4,447	3,953

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.

Undiscounted minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	**1,277**	1,293
After 1 year but within 5 years	**3,561**	3,089
After 5 years	**1,668**	2,024
	6,506	6,406

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

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

			Percentage of ownership interest			
Name of company	Place of establishment/ incorporation and business	Particulars of registered/ issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Dandong Kuandian Petroleum Company Limited ("Dandong Kuandian") (丹東寬甸石油有限公司) *(Note (i))*	The PRC	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	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	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	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	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	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	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	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	RMB20,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	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
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	RMB500,000	60%	–	60%	Development of energy technology
Baishan United Strength Taixing Power Company Limited (白山眾誠泰興能源有限公司) *(Note (i))*	The PRC	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	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	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	RMB5,000,000	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	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	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	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	RMB50,000,000	100%	–	100%	Provision of transportation services
Sino Regent International Limited ("Sino Regent") *(Note (iii))*	Hong Kong	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	RMB10,000,000	100%	–	100%	Investment holding

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	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
Eternal Global Investment Limited ("Eternal Global ") *(Note (iii))*	The British Virgin Islands	10,000 shares	100%	100%	–	Investment holding
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	Registered capital of RMB 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	Registered capital of RMB 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.

12 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the combined financial information relating to subsidiary 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 2023 RMB'000	At 31 December 2022 RMB'000
NCI percentage:		
– Liaoning Oilfield	**45%**	45%
Non-current assets	**12,183**	13,465
Current assets	**221,001**	216,319
Current liabilities	**166,071**	173,583
Non-current liabilities	**–**	528
Net assets	**67,113**	55,673
Net assets attributable to NCI	**28,835**	23,686

	2023 RMB'000	2022 RMB'000
Revenue	**2,396,062**	2,179,255
Profit and total comprehensive income for the year	**11,440**	4,842
Profit and total comprehensive income attributable to NCI	**5,148**	2,179

13 INTEREST IN AN ASSOCIATE

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

			Proportion of ownership interest			
Name of associate	Place of establishment and business	Particulars of registered and paid-up capital	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 2023 RMB'000	At 31 December 2022 RMB'000
Gross amounts of CTS Financial Leasing's		
Non-current assets	**237,592**	262,997
Current assets	**262,184**	274,270
Current liabilities	**(108,137)**	(91,972)
Non-current liabilities	**(117,542)**	(175,378)
Equity	**274,097**	269,917

	2023 RMB'000	2022 RMB'000
Revenue	**30,537**	23,258
Net profit and total comprehensive income	**2,815**	825

13 INTEREST IN AN ASSOCIATE (continued)

	2023 RMB'000	2022 RMB'000
Carrying amount of interest in an associate At 1 January	66,911	73,878
Share of profits	844	248
Impairment loss *(Note (i))*	(15,979)	(14,064)
Exchange adjustments	409	6,849
At 31 December	52,185	66,911

Note:

(i) *The Group assessed at the end of each reporting period whether there is any indication that interest in an associate may be impaired. If any such indication exists, the Group estimated the recoverable amount of the investment. As at 31 December 2023, 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 RMB30,043,000 (2022:RMB14,064,000) was recognised.*

The recoverable amount of the interest in an associate 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 of net profit ranging from 20% to 30% (2022: 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 an associate. 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% (2022: 14%). The discount rates used are pre-tax and reflect specific risks relating to the interest in an associate.

14 INVENTORIES

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

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Refined oil	**179,284**	129,865
Gases	**696**	849
Spare parts	**5,459**	5,553
	185,439	136,267

(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:

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	**6,904,915**	5,670,377

15 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.

15 TRADE RECEIVABLES (continued)

(a) Ageing analysis

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

	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

Further details on the Group's credit policy and credit risk are set out in Note 24(a).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Prepayments for purchase of inventories from:		
– 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.

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

(a) Cash at bank and on hand comprise:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank and on hand	**46,517**	60,297
Pledged and restricted bank deposits *(Note (i))*	**110,350**	78,350
Cash at bank and on hand in the consolidated statement of financial position	**156,867**	138,647
Less: pledged and restricted bank deposits	**(110,350)**	(78,350)
Cash and cash equivalents in the consolidated cash flow statement	**46,517**	60,297

Notes:

(i) The balances were pledged for bank and other loans of and bills issued by the Group (see Note 18(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.

17 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 18)*	Interest payable RMB'000	Dividends payable RMB'000	Lease liabilities RMB'000 *(Note 21)*	Total RMB'000
At 1 January 2023	298,925	–	–	351,961	650,886
Changes from financing cash flows:					
Proceeds from bank and other loans	404,778	–	–	–	404,778
Repayment of bank and other loans	(309,925)	–	–	–	(309,925)
Capital element of lease rentals paid	–	–	–	(35,935)	(35,935)
Interest element of lease rentals paid	–	–	–	(21,500)	(21,500)
Distributions to non-controlling equity holder of a subsidiary	–	–	(105)	–	(105)
Interest paid	–	(12,228)	–	–	(12,228)
Total changes from financing cash flows	94,853	(12,228)	(105)	(57,435)	25,085
Other changes:					
Net decrease in lease liabilities during the year	–	–	–	(18,043)	(18,043)
Distributions to non-controlling equity holder of a subsidiary	–	–	105	–	105
Finance costs *(Note 6(a))*	–	12,228	–	22,162	34,390
Total other changes	–	12,228	105	4,119	16,452
At 31 December 2023	393,778	–	–	298,645	692,423

17 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 18)*	Interest payable RMB'000	Dividends payable RMB'000	Lease liabilities RMB'000 *(Note 21)*	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

17 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:

	2023 RMB'000	2022 RMB'000
Within operating cash flows		
– Lease rentals paid	**2,428**	1,679
Within investing cash flows		
– Payments for purchase of land-use-rights	**22,955**	–
Within financing cash flows		
– Lease rentals paid	**57,435**	74,194
	82,818	75,873

18 BANK AND OTHER LOANS

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

	At 31 December 2023 RMB'000	At 31 December 2022 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 18(d))*	**280,350**	203,350
Guaranteed by a subsidiary	**12,528**	2,000
Guaranteed by a third party	**56,900**	47,950
	349,778	253,300
Add: current portion of long-term bank and other loans *(Note 18(b))*	**2,000**	45,625
	351,778	298,925

18 BANK AND OTHER LOANS (continued)

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

	At 31 December 2023 RMB'000	At 31 December 2022 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 18(d))*	**44,000**	45,625
Less: current portion of long-term bank and other loans *(Note 18(a))*	**(2,000)**	(45,625)
	42,000	–

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

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	**2,000**	45,625
After 1 year but within 2 years	**2,000**	–
After 2 year but within 5 years	**40,000**	–
	44,000	45,625

18 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 2023 RMB'000	At 31 December 2022 RMB'000
Property, plant and equipment *(Note 11)*	**30,159**	34,866
Investment properties	**1,711**	1,872
Restricted bank deposits *(Note 17(a))*	**110,350**	78,350
	142,220	115,088

(e) At 31 December 2023, bank loans and bank acceptance bills facilities of the Group amounted to RMB205,900,000 (2022: RMB150,000,000), and were utilised to the extent of RMB154,900,000 (2022: RMB144,950,000). These facilities are secured by the Group's property, plant and equipment and/or guaranteed by Mr. Zhao Jinmin and his spouse or guaranteed by a third party.

(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 24(b). At 31 December 2023, none of the covenants relating to the bank loans had been breached (2022: None).

19 TRADE AND BILLS PAYABLES

	At 31 December 2023 RMB'000	At 31 December 2022 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

20 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
Amounts 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.

Notes:

(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 (as defined and described in Note 22). During the year ended 31 December 2023, the payments, in aggregate, 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.

21 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 (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", 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, equipment, licences and designated bank accounts 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).

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2023 RMB'000	2022 RMB'000
Income tax payable at 1 January, net	**6,520**	34,567
Provision for the year *(Note 7(a))*	**44,760**	27,445
Income tax paid	**(45,085)**	(55,492)
Income tax payable at 31 December, net	**6,195**	6,520
Representing:		
Income tax payable	**13,768**	10,300
Income tax recoverable	**(7,573)**	(3,780)
	6,195	6,520

(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:

Deferred tax arising from:	Unused tax losses RMB'000	Credit loss allowance RMB'000	Impairment loss on property, plant and equipment RMB'000	Right-of-use assets RMB'000	Lease liabilities 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 2022	2,689	90	94	(88,971)	93,142	(3,289)	(1,500)	2,255
Credited/(charged) to the consolidated statement of profit or loss *(Note 7(a))*	5,482	542	(15)	18,592	(15,738)	112	549	9,524
At 31 December 2022	8,171	632	79	(70,379)	77,404	(3,177)	(951)	11,779
At 1 January 2023	**8,171**	**632**	**79**	**(70,379)**	**77,404**	**(3,177)**	**(951)**	**11,779**
Credited/(charged) to the consolidated statement of profit or loss *(Note 7(a))*	**21,232**	**(533)**	**–**	**13,428**	**(10,797)**	**112**	**549**	**23,991**
At 31 December 2023	**29,403**	**99**	**79**	**(56,951)**	**66,607**	**(3,065)**	**(402)**	**35,770**

22 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 2023 RMB'000	At 31 December 2022 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**39,237**	15,907
Deferred tax liabilities recognised in the consolidated statement of financial position	**(3,467)**	(4,128)
	35,770	11,779

(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 RMB12,743,000 (2022: RMB12,683,000) 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 2023, taxable temporary differences relating to the undistributed profits of the subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to RMB538,582,000 (2022: RMB403,828,000), 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.

23 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 23(c))*	Share premium RMB'000 *(Note 23(d)(i))*	Exchange reserve RMB'000 *(Note 23(d)(iv))*	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 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	–	(8,176)	60,929	–	52,753
Total comprehensive income	–	(8,176)	60,929	(9,678)	43,075
At 31 December 2022 and 1 January 2023	**32,293**	**711,315**	**6,488**	**(7,260)**	**742,836**
Changes in equity for 2023:					
Loss for the year	–	–	–	(10,033)	(10,033)
Other comprehensive income for the year	–	–	10,379	–	10,379
Total comprehensive income	–	–	10,379	(10,033)	346
At 31 December 2023	**32,293**	**711,315**	**16,867**	**(17,293)**	**743,182**

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) 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 RMB'000	2022 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

(c) Share capital

	2023		2022	
	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

	2023		2022	
	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

23 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.

24 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 is not exposed to significant currency risk.

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 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's exposure to credit risk in respect of guarantees is disclosed in Note 26(a).

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 2023, 12% (2022: 66%) and 36% (2022: 76%) 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.

24 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 2023:

	At 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**1.0%**	**33,983**	**340**
Less than 1 month past due	**3.0%**	**393**	**12**
1 to 3 months past due	**16.4%**	**280**	**45**
		34,655	**397**

	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
Less than 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

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.

24 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:

	2023 RMB'000	2022 RMB'000
Balance at 1 January	2,544	374
Impairment (gain)/loss during the year	(2,147)	2,170
Balance at 31 December	397	2,544

(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 2023 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
Bank and other loans	358,861	4,929	40,734	–	404,524	393,778
Trade and bills payables	27,160	–	–	–	27,160	27,160
Accrued expenses and other payables measured at amortised cost	408,381	–	–	–	408,381	408,381
Lease liabilities	94,130	58,399	142,137	76,503	371,169	298,645
	888,532	63,328	182,871	76,503	1,211,234	1,127,964

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	At 31 December 2022 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
Bank and other loans	308,231	–	–	–	308,231	298,925
Trade and bills payables	63,901	–	–	–	63,901	63,901
Accrued expenses and other payables measured at amortised cost	108,692	–	–	–	108,692	108,692
Lease liabilities	104,300	54,437	163,498	129,838	452,073	351,961
	585,124	54,437	163,498	129,838	932,897	823,479

(c) Interest rate risk

(i) 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 2023 RMB'000	At 31 December 2022 RMB'000
Fixed rate borrowings:		
Bank and other loans	**383,778**	298,925
Lease liabilities	**298,645**	351,961
	682,423	650,886
Variable rate borrowings:		
Bank and other loans	**10,000**	–
	692,423	650,886

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB75,000 (2022: RMB Nil).

(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 2023 and 2022.

25 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the consolidated financial statements were as follows:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Commitments in respect of acquisitions of property, plant and equipment:		
– Contracted for	**2,890**	287
– Authorised but not contracted for	**33,580**	14,307
	36,470	14,594

26 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 companies controlled by the ultimate controlling party of the Company and his close family member

	2023 RMB'000	2022 RMB'000
Sales of goods	18,434	6,073
Provision of transportation services	21,421	19,568
Purchases of goods	2,581,758	1,582,975
Rental income from operating leases	225	297
Operating lease charges (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	51,299	53,763
Operating lease charges	1,309	783
Service fee paid for other services received	2,063	1,877
Payments on behalf of the Group through:		
– bank acceptance notes	1,095,110	494,800
– cash *(Note 20(i))*	722,065	359,910
Payments to related party for the Group's purchases *(Note 20(i))*	1,468,737	854,710
Pledge provided by the Group *(Note (i))*	27,426	–
Guarantees received for the Group's bank and other loans at the end of the reporting period *(Notes 18(a) and (b))*	30,000	20,000
Guarantees received for the Group's banking facilities at the end of the reporting period *(Note 18(e))*	30,000	30,000

Note:

(i) During the year ended 31 December 2023, a subsidiary of the Group pledged certain property, plant and equipment for a bank to Changchun Yitonghe. As at the end of the reporting period, the directors of the Company were of the opinion that the likelihood is remote that a claim will be made against the Group under the pledge. The exposure of the Group at 31 December 2023 under the pledge is RMB27,426,000, being the carrying amount of pledged property, plant and equipment.

(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:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	7,056	6,354
Contributions to defined contribution retirement plans	399	275
	7,455	6,629

Total remuneration is included in "staff costs" in Note 6(b).

27 COMPANY–LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Interests in subsidiaries	*12*	**726,637**	716,261
Right-of-use assets		**390**	2,731
		727,027	718,992
Current assets			
Dividends receivable		**8,696**	18,731
Cash and cash equivalents		**7,915**	8,165
		16,611	26,896
Current liabilities			
Other payables		**76**	63
Lease liabilities		**380**	2,371
		456	2,434
Net current assets		**16,155**	24,462
Total assets less current liabilities		**743,182**	743,454
Non-current liabilities			
Lease liabilities		**–**	618
NET ASSETS		**743,182**	742,836
CAPITAL AND RESERVES	*23*		
Share capital		**32,293**	32,293
Reserves		**710,889**	710,543
TOTAL EQUITY		**743,182**	742,836

Approved and authorised for issue by the board of directors on 27 March 2024.

Zhao Jinmin	**Liu Yingwu**
Chairman	*Director*

(Expressed in RMB unless otherwise indicated)

28 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 2023 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.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 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
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
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 2023 is extracted from the financial statements in this annual report.

RESULTS

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**7,346,895**	6,089,366	5,830,081	3,481,322	3,953,293
Profit before taxation	**64,073**	36,872	252,124	170,814	191,534
Income tax	**(20,769)**	(17,921)	(70,200)	(46,451)	(53,097)
Profit for the year	**43,304**	18,951	181,924	124,363	138,437
Attributable to:					
Equity shareholders of the Company	**39,489**	16,530	176,620	123,283	135,645
Non-controlling interests	**3,815**	2,421	5,304	1,080	2,792
Profit for the year	**43,304**	18,951	181,924	124,363	138,437

ASSETS AND LIABILITIES

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	**1,914,596**	1,555,454	1,544,375	1,056,037	323,322
Total liabilities	**1,402,489**	1,087,830	1,095,714	784,111	67,854
	512,107	467,624	448,661	271,926	255,468
Total equity attributable to					
Equity shareholders of the Company	**469,503**	428,684	411,804	241,305	248,820
Non-controlling interests	**42,604**	38,940	36,857	30,621	6,648
	512,107	467,624	448,661	271,926	255,468