眾誠能源

United Strength Power Holdings Limited
眾誠能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2337

ANNUAL REPORT 2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong *(appointed with effect from 24 August 2020)*
Mr. Yuan Limin

Non-Executive Director

Mr. Xu Huilin *(re-designated from executive Director to non-executive Director with effect from 31 December 2020)*

Independent Non-Executive Directors

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Xu Huilin
Mr. Lo Wai Kit

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

Wan & Tang
23/F, Somptueux Central
52 Wellington Street
Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISOR

Zhongtai International Capital Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

STOCK CODE

2337

COMPANY WEBSITE

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CONTACT DETAILS

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Financial Highlights

	2020 RMB'000	2019 RMB'000 (Restated)
Revenue	**3,481,322**	3,953,293
Gross profit	**470,285**	499,945
Profit for the year	**124,363**	138,437
Profit attributable to equity shareholders of the Company	**123,283**	135,645
Gross profit margin	**14%**	13%
Earnings per share		
— Basic & Diluted (RMB)	**0.35**	0.41
Total assets	**1,273,135**	1,056,037
Net assets	**285,109**	271,926

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 2020 (hereinafter referred to as the "**Reporting Period**").

BUSINESS REVIEW

2020 was special – on one hand, the COVID-19 outbreak at the beginning of the year caused the sudden halt of economic production and the slump of international transportation and aviation industry, severely impacting both the domestic and global economy; on the other hand, the frequent occurrence of black swan events in international politics and tensions in the Middle East brought uncertainties to the international commodities market, and the oil and gas market experienced repeated fluctuations.

Facing the daunting market conditions, the Group adjusted its business strategies in a timely manner in response to policy changes and adopted effective measures to ensure the normal operation and progress of the business. During the pandemic-stricken period, we actively cooperated with the local government in epidemic prevention and control. For our main customer groups, i.e. taxis and buses, the Group took various measures to stabilize the customer base and improve customer loyalty such as free disinfection for vehicles and complimentary epidemic prevention supplies for drivers that refuelled in our gas stations, which provided a stable customer group that helped our sales returning to a normal level in the post-epidemic period. As the epidemic gradually mitigated, the Group prioritized the safety of its customers and employees, and resumed work and production in an orderly manner to minimize the impact of the epidemic and deliver solid operation results. During the Reporting Period, thanks to a series of national policy incentives for the economy, consumption, energy and automobile industries, as well as the unremitting efforts of the management team and all staff members, the Group achieved operating profit of RMB207.9 million and profits attributable to shareholders of RMB123.3 million against all odds.

During the Reporting Period, the Group completed the acquisition of the entire issued share capital of Eternal Global Investment Limited ("**Eternal Global**"), taking the first step towards potential new businesses. According to Frost & Sullivan, as of 31 December, 2019, car users with gasoline vehicles accounted for more than 97.0% of total, while 2.6% were users of natural gas vehicles. The completion of this acquisition will help expand our refuelling business, refuelling station network, market share and scale in the northeast area, provide a richer product portfolio and a broader sales network, and avoid policy risks to the Group's main business due to the longer-than-expected approval period for gas-only refuelling stations.

The completion of the acquisition of Eternal Global has also turned a page for the Group's business layout. In order to support the development of the new refuelling business and leverage the synergy between the oil refuelling and gas refuelling businesses, during the Reporting Period, the Group entered into a strategic cooperation framework agreement with China Sam Enterprise Group Co., Ltd. ("**Sam Group**") for potential retail and wholesale transportation and storage projects for petroleum and natural gas in the future. The Group also signed a Letter of Intent with Jilin Zhongyuan Industrial Group Co., Ltd. ("**Jilin Zhongyuan**") to consolidate its market position in the energy industry in the northeast region and provide a good basis for its long-term healthy development.

FUTURE PROSPECTS

2021 marks the beginning of the "14th Five-Year Plan". With uncertainties about the pandemic lingering and economic growth slowing down, the domestic energy industry is faced with both challenges and opportunities.

President Xi Jinping put forward a new energy security strategy of "Four Revolutions, One Cooperation", and proposed the goals that having CO_2 emissions peak before 2030 and achieving carbon neutrality before 2060, providing innovative guidance for the reform of the energy structure. The State Council issued a white book named "Energy in China's New Era", proposing to comprehensively promote the reform of energy consumption patterns, establish a diversified and clean energy supply system, boost natural gas production capacity, increase domestic natural gas supply, promote crude oil production and storage enhancement, coordinate the development of transportation methods for various energy and energy sources such as coal, electricity, oil and gas, construct an interconnected transmission and distribution network and support the innovation and development of energy technologies, so as to comprehensively deepen the reform of the energy system and build an energy market featuring effective competition.

The Group has been exploring the energy market in the northeast area for years and has established a solid brand penetration and business foundation. In the future, we will continue to expand our business and improve our long-term development potential by leveraging our own advantages. Looking ahead, after the completion of the acquisition of Eternal Global, the Group officially kicked off the refuelling business and diversified our sources of income. In addition, the Board is also actively seeking strategic cooperation and acquisitions to consolidate our gas and oil refuelling businesses and give full play to the synergy among different business sectors. At the same time, as the country strongly supports the burgeoning development of the new energy vehicle industry, we are also actively exploring the field of new energy, further broadening the Group's diversified layout in the new era for energy development and continuously improving the Group's comprehensive competitiveness in the industry, ultimately bringing good returns to shareholders.

APPRECIATION

In the very special and challenging year that has just gone by, the Group received strong support and trust from its shareholders, investors and business partners and was backed by the hard work and dedication of the management and all staff members, for which the Board would like to express its sincere gratitude.

Zhao Jinmin
Chairman & Chief Executive Officer

Hong Kong

26 March 2021

Management Discussion and Analysis

Management Discussion and Analysis

1. INDUSTRY REVIEW

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

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

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

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

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

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

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

2. BUSINESS AND FINANCIAL REVIEW

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

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

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

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

Sales of refined oil business

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

Sales of natural gas business

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

Provision of transportation services

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

At present, Jieli Logistics and its subsidiary own and manage a fleet of over 100 dangerous goods transport vehicles, including 58 locomotives, 39 trailers and 39 head-mounted integrated vehicles (for petroleum transport), as well as 35 locomotives and 75 trailers (for gas transport).

Operating Results

Revenue

The principal activities of the Group are the sale of refined oil and natural gas by (i) operating refuelling stations network and storage facilities; and (ii) the provision of transportation of petroleum and gas services. For 2020, the Group's revenue amounted to RMB3,481.3 million, representing a decrease of RMB472.0 million or 12% from RMB3,953.3 million in 2019. The decrease in revenue was mainly attributable to the decrease in sales of refined oil business with the Company's adoption of a more aggressive pricing strategy and adjusted the selling price in a more timely manner to stimulate the sales of refined oil.

Cost of Sales and Gross Profit

The Group's cost of sales primarily represents all costs of purchase of refined oil, CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and transportation costs. In 2020, the Group's cost of sales decreased by 13% to RMB3,011.0 million from RMB3,453.3 million in 2019 due to the combination of (i) the decrease in the unit cost of procurement; and (ii) the decrease in total purchase of CNG as a result of the decrease in sales volume of Company's products during 2020.

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

Other Income

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

Staff Costs

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

Other Operating Expenses and Finance Costs

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

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

Costs Incurred in Connection with the Acquisitions of Businesses

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

Share of Profits of a Joint Venture

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

Profit before Tax

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

Income Tax Expenses

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

Profit for the Year

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

FINANCIAL RESOURCES AND LIQUIDITY

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

Bank Balances and Cash

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

Capital Expenditure

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

Borrowings

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

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

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

Use of proceeds

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

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

Management Discussion and Analysis

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

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

Pledge of Assets

As at 31 December 2020, the aggregate carrying amount of the property, plant and equipment of the Group of RMB11,779,000 were pledged for the Group's bank and other loans and bank acceptance bills facilities. As at 31 December 2020, bank loans and bank acceptance bills facilities of the Group amounted RMB127,000,000. In addition, the Group's bank loan of HK$50 million was secured by the equity interest of Silver Spring and personally guaranteed by Mr. Zhao Jinmin (趙金岷先生) ("**Mr. Zhao**"), the ultimate controlling shareholder, chief executive officer, executive director and chairman of the Board, and Ms. Ji Yuanyuan (姬媛媛女士), the spouse of Mr. Zhao.

Contingent Liabilities

As at the date of this report and as at 31 December 2020, the Board is not aware of any material contingent liabilities (2019: Nil).

Human Resources

As at 31 December 2020, the Group had 1,576 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the share option scheme on 21 September 2017 (the "**Share Option Scheme**"), under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2020, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

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

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

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

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Principal Risks and Uncertainties

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

Inability to Control Costs

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

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

Supply Risk

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

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

Operational Risk

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

3. BUSINESS PROSPECTS

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

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

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

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

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

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 2020.

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. Save as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code throughout the year ended 31 December 2020, except the following:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2020. Details of the shareholding interests held by the Directors as at 31 December 2020 are set out in page 78 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 *(appointed with effect from 24 August 2020)*
Mr. Yuan Limin

Non-Executive Director

Mr. Xu Huilin *(re-designated from executive Director to non-executive Director with effect from 31 December 2020)*

Independent Non-executive Directors

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

Biographical information of the Directors is set forth on pages 71 to 73 of this annual report.

Each of the executive Directors (save for Mr. Yuan Limin and Mr. Ma Haidong) entered into a service contract with the Company for a term of three years commencing on 1 April 2017, and Mr. Yuan Limin and Mr. Ma Haidong have entered into a service contract with the Company for a term of three years commencing on 27 November 2018 and 24 August 2020 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 for a term of three years 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) for a term of three years 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 A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. After the change of the chief executive officer with effect from 31 December 2020, Mr. Zhao is both the chairman of the Board and the chief executive officer of the Company. The Board considers that having the same person to perform the roles of both the chairman and the chief executive officer provides the Company with strong and consistent leadership, and allows effective and efficient planning and implementation of business decisions and strategies. Such structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals and having meeting regularly to discuss issues affecting the operations of the Group.

BOARD MEETINGS

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

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors at least three days before 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 2020, 4 Board meetings were held and the attendance of each Director at the meeting is set out in the table below:

Director	Number of Board meetings attended
Mr. Zhao Jinmin	4/4
Mr. Liu Yingwu	4/4
Mr. Ma Haidong (appointed with effect from 24 August 2020)	1/1
Mr. Yuan Limin	4/4
Mr. Xu Huilin	4/4
Ms. Su Dan	4/4
Mr. Lau Ying Kit	4/4
Mr. Zhang Zhifeng	4/4

The company secretary of the Company (the "**Company Secretary**") is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. During the year ended 31 December 2020, 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 2020.

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, together with its compliance adviser, 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 2020 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. Zhao Jinmin	B
Mr. Liu Yingwu	B
Mr. Ma Haidong (appointed with effect from 24 August 2020)	A and B
Mr. Yuan Limin	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, reappointment and removal 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, interim report and quarterly 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 2020. 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 2020. 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 2020 is set out below:

Remuneration bands	Number of individuals
Nil–HK$1,000,000	3

NOMINATION COMMITTEE

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

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

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

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

– Character and integrity;

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

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

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

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

One meeting was held in 2020. 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	1/1
Mr. Zhang Zhifeng	1/1

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 D.3.1 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 2020, 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 89 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 85-90 of this annual report.

The remuneration paid or payable to KPMG for services rendered in respect of the year ended 31 December 2020 is as follows:

	2020 RMB'000
Annual audit and interim review services	3,000
Other audit services	3,200
Total	6,200

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

– Identifying, consolidating and analyzing existing and potential risks;

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

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

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

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

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

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

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

The executive Directors closely monitored the Group's business and corporate developments and events so that potential inside information would be identified promptly. The Company regulates the handling and dissemination of inside information by restricting access to inside information to a limited number of employees and parties on a need-to-know basis. Employees who are in possession of inside information are conversant with their obligations to preserve confidentiality. External parties, such as financial printer, are required to sign confidentiality agreement or non-disclosure agreement. Inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Inside information shall be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the press or posting on the Company's website. In respect of the year ended 31 December 2020, 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 20 clear business days' notice of the date, venue and agenda of such meetings and a minimum of 10 clear business 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, independent non-executive Directors, and the chairmen 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 2020 ("**2020 AGM**") was held on 24 June 2020. The notice of the 2020 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2020 AGM.

The extraordinary general meeting of 2020 ("**2020 EGM**") was held on 24 July 2020. The notice of 2020 EGM was sent to the shareholders of the Company at least 14 clear business days before the 2020 EGM.

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

Directors	Attendance/ Number of general meetings
Mr. Zhao Jinmin	0/2
Mr. Liu Yingwu	0/2
Mr. Ma Haidong *(appointed with effect from 24 August 2020)*	–
Mr. Yuan Limin	2/2
Mr. Xu Huilin	0/2
Ms. Su Dan	0/2
Mr. Lau Ying Kit	2/2
Mr. Zhang Zhifeng	0/2

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

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

CONSTITUTIONAL DOCUMENTS

From the Listing Date and up to 31 December 2020, the Company has not made any significant changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

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 2020, 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

In this day and age, the layout of global natural gas supply and demand has been undergoing deep adjustment. As the supply of natural gas resources becomes more relaxed, market competition is gradually intensified and the drive to accelerate the transition towards clean energy is increasingly strong, the price of natural gas continues to fall, the scope of use keeps expanding and the essentials supporting the high-quality development of natural gas are growing. Standing at the historical intersection of the "two centenary" goal, Chinese companies need to be guided by the national strategic goal of "gradually nurturing natural gas into one of China's major energy sources", need to actively implement various policies and need to take the responsibility for being a leader in green development, contributing to the writing of the corporate chapter of the construction of a beautiful China.

As a leading automotive compressed natural gas ("**CNG**") refuelling station operator in Jilin Province, United Strength Power Holdings Limited and its subsidiaries (the "**Group**") are principally engaged in natural gas sales and transportation services. In August 2020, the Group completed the acquisition of Eternal Global Investment Limited, which laid a solid foundation for the Group to enter into business areas including petroleum refuelling business, petroleum wholesale business and transportation services, and to expand its petroleum refuelling business and gas refuelling business network further in Northeast China. Jieli Logistics acquired by the Group also successfully opened up its business services in gas, liquified petroleum gas and gasoline transportation services, which largely satisfies the Group's demand for safe and stable gas transportation service.

In recent years, with the "Paris Agreement" and the United Nations Sustainable Development Agenda in 2030 that set clear goals for the global acceleration of low-carbon and clean energy development, the low-carbon and environmentally friendly infrastructure construction projects have been vigorously developed. As one of the fast-growing and leading operators of gas and petroleum refuelling and energy transportation in China, the Group attaches great importance to the research and analysis of market trends and industry growth, and continues to make diversified investments and expand business models around its core industry chain, furthering the synergy between petroleum refuelling, gas refuelling and transportation businesses.

In FY2020, benefiting from the national "Implementation Opinions on Accelerating the Construction of Natural Gas Storage Capacity" and other policies favourable to the natural gas industry, and actively responding to the 14th Five-Year Plan and 2035 long-term goal recommendations of Jilin Province, the Group, as an enterprise that takes energy green reform as its guiding principles for development, will accelerate the construction of "Gasification of Jilin" as its policy, and strive to incorporate sustainable development values and concepts into its long-term business strategy. While pursuing good financial returns, the Group continues to regard the environmental, social development and corporate governance ("**ESG**") in relation to its operations as an indispensable part of high-quality business development. Since its establishment, the Group has continuously strengthened its management's and employees' understanding of environmental and social responsibility, and actively implemented ESG management and policies within the Group. Benchmarking the best ESG practices on the global stage, the Group keeps optimising its sustainable development management system, improving the corporate goal and indicator tracking system, strengthening internal communication and feedback, and promoting the implementation of relevant internal policies and activities within the Group.

Since the beginning of 2020, the COVID-19 pandemic (the "**pandemic**") has spread across the globe, posing a serious threat to global economic development and human health, and has also brought a greater impact on China's economic, social and energy development in various stages. In response to the crises and challenges brought by the pandemic, the Group fully followed national policies, putting the health and safety of employees in the first place and effectively adjusting its operating models and management mechanisms. The Group actively fulfilled its social responsibilities and made use of its resources and advantages to make contributions to the fight against the epidemic.

2020 was the final year of the "13th Five-Year Plan" as well as the planning year of the "14th Five-Year Plan". The Group is committed to implementing a high-quality development strategy through ESG management models and sustainable development concepts, with forward-looking, innovative and practical policies, and constantly identifying the future needs to be focused on and the ESG risks and opportunities vital to the development of the Group. In pursuit of stable business returns, the Group strives to explore and apply the environmentally friendly technologies that lead to positive contributions.

II. ABOUT THE REPORT

In strict compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), the Group is pleased to present the ESG Report for the year ended 31 December 2020 ("**FY2020**"), which demonstrates the Group's approach and performance in terms of ESG management and corporate sustainable development for FY2020. 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, online surveys for the collection of the relevant information about the practices of the Group in sustainability. A complete content index is available at the end of the ESG report for readers' convenience to check its integrity. This report has been compiled in both English and Chinese and published together on the Group's website www.united-strength.com.

Boundary Setting

Setting a clear reporting boundary can help readers to further understand the effectiveness of the implementation of relevant ESG policies, while allowing the Group to identify the risks of the business and operations in which the Group was engaged during the year under review. This ESG report defines the boundary of information disclosure with operational control approach. The disclosure covers the major business operations of the Group, including 29 gas refuelling stations, 69 petroleum refuelling stations and transportation businesses in Northeast China.

Reporting Principles

As the reporting principles underpin the preparation of the ESG report, the main ESG performance of the Group in FY2020 of this ESG report has been determined and disclosed under the principles of Materiality, Quantitative, Balance and Consistency.

THE APPLICATION OF ESG REPORTING PRINCIPLES

M

Materiality

The Group understands that the principle of "materiality" is critical to ESG management and information disclosure. It is the basis for the rational allocation of limited resources, improving the efficiency of problem-solving process, and ensuring that stakeholders can identify the effectiveness of disclosed information. In this ESG report the Group actively encouraged the participation of stakeholders and evaluated the importance of their feedback based on the overall strategic impacts. The materiality assessment and results listed "Occupational Health and Safety", "Product/Service Health and Safety" and "Customer Satisfaction (Welfare)" as the most important sustainable development issues for the Group. Meanwhile, the application of the Group's "materiality" principle was fully reflected in its data collection process. In order to clearly reflect the ESG performance of the Group, the Group assigned duties of the management, supervision and data collection of the ESG performance of all gas refuelling stations to each individual, ensuring that the performance of its key operations can be effectively reflected in the ESG report.

Q

Quantitative

This ESG report reflected the application of the "quantitative" principle in many places, including the calculation and disclosure of key performance indicators ("**KPIs**") in the environmental and social context. For example, the "Emissions" and "Use of Resources" chapters of this ESG report were based on quantitative analysis to calculate the Group's greenhouse gas ("**GHG**") emissions and consumption of various resources in FY2020. In the narrative, the Group also provided quantitative discussions on the Group's performance in the environmental field in recent years, and pointed out the Group's future direction and goals for improvement. In terms of the information disclosure under social subject, the Group carefully studied the latest requirements of the HKEx for ESG reporting, quantified the performance of employment, training, and anti-corruption through KPIs, and was committed to continuously Improving the process and quality of data organisation.

B

Balance

The Group followed the principle of balance in ESG performance disclosure to ensure that it delivered true and effective ESG information to its stakeholders. Adhering to this principle, the Group fully evaluated the potential ESG and climate-related risks that it faced, including an objective evaluation and analysis of the progress to achieve the goal, so as to truly reflect the Group's sustainable development performance in FY2020 to all readers, which was of referential significance to the improvement and development of the enterprise itself.

C

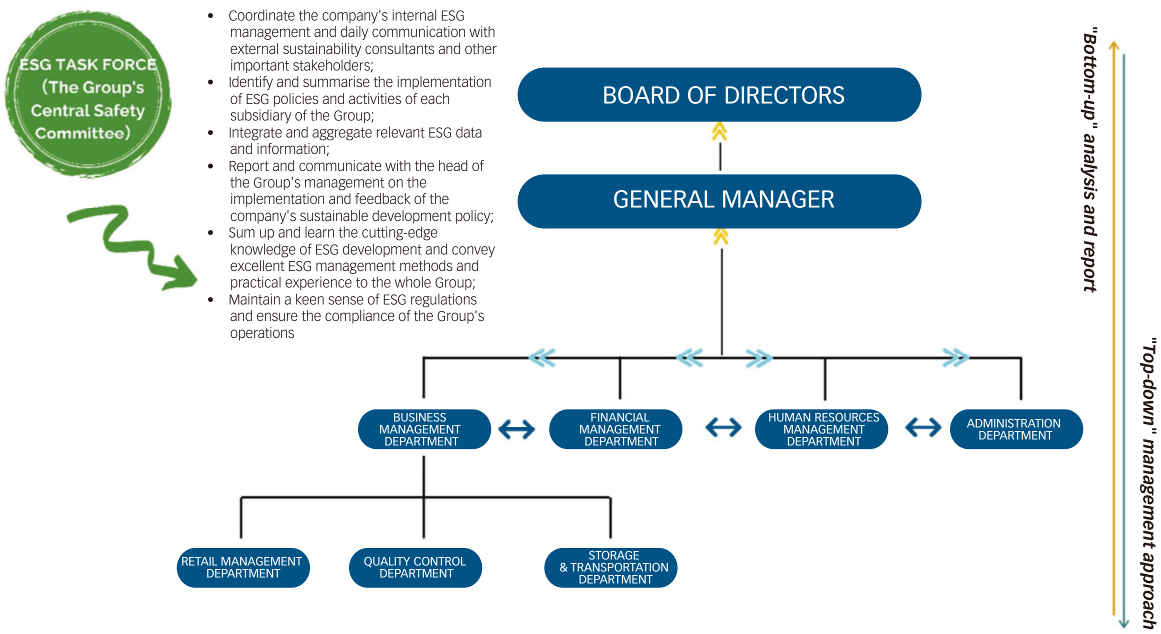
Consistency

In order to promote the practicability and comparability of the data in this ESG report, the Group's ESC expert team analysed the business development during the year under review and applied the same boundary-setting principles, data collection procedures, data calculation methods and reporting frameworks consistent with the past in the preparation of this ESG report. The Group also fully described and explained the major changes in its business development and performance evaluation methods, including the newly added scope of petroleum refuelling station in FY2020, endeavouring to provide its stakeholders with valuable ESG information.

III. SUSTAINABILITY MANAGEMENT

The Group has built a complete corporate management structure and a mature risk management system, continuing to integrate ESG risk management approaches with the Group's governance structure. Since its establishment, the Group has been advocating and adhering to the concept of responsible development, earnestly fulfilling its commitments to stakeholders, polishing up the quality of products and services with ingenuity, and embracing innovative technology and advanced operating procedures, all of which are supported by an effective and sustainable management concept and method. The Group has adopted a "top-down" management strategy in its sustainable development governance, in which the Board of Directors (the "Board") is responsible for overseeing the implementation of ESG-related matters. The Board assumes the responsibility for the Group's ESG issues, ensuring the barrier-free communication between the management and employees of the entire Group, encouraging subsidiaries and employees to actively respond to the national strategic deployment for the sustainable development of the energy industry with actions, and achieving effective implementation of the policies for sustainable development within the enterprise.

Specifically, the core of the sustainable development management structure of the Group is the Central Safety Committee, which consists of the company's president, vice president and managers from various business departments. The Central Safety Committee is mainly responsible for reviewing external factors such as ESG policies and regulations and stakeholder appeals that are closely related to the development of the Group. As such, the Central Safety Committee performs effective identification of potential ESG risks and provides ESG consultation and advice to the Board. The Central Safety Committee reviews and evaluates the ESG-related performance of the Group twice a year, reviews relevant reports, categorises and prioritises the results and suggests follow-up actions for improvement, which lays the foundation for the management of goals and strategic direction in the next stage. The evaluation results are reported to the Board in the form of reports.



The Group adheres to the sustainable development management approach of "Full Safety, Prevention First, Health Protection, Environmental Improvement, People-Oriented, Sustainable Development", and through the establishment of a goals and metrics management system, the Group sets appropriate goals and indicators in realms including operational safety and service quality at the beginning of each year. The well-established goals are refined, planned and implemented level by level from the top that are under effective supervision and regular reviews. In the future, the Group is committed to further improving the sustainable development management system in key areas through stronger business partnership.

The Group has been deeply aware that global warming will exacerbate a wide range of sustainable development risks, which bring obstacles to the realisation of sustainable development of enterprise. Under China's grand objective of achieving carbon neutrality by 2060, the Group has been dedicated to improving its climate resilience and actively seizing potential opportunities for transformation. In accordance with the recommendations of Task Force on Climate-related Financial Disclosures, the Group has built a Risk Management Department to carry out evaluations on the implications of climate-related risks and their financial impacts, strengthening the management of key aspects in risk control and ensuring the implementation of 'Forecast before risk, Management in the risk, Analysis after the risk'.

RISK I

The increasingly stricter policy control on oil and gas station business and oil wholesale business by the government demands the Group to further strengthen its compliance management.

RISK II

The development and use of low-emission alternatives in the transition to a low-carbon economy require the development of some of the Group's businesses to be reformed in advance.

OPPORTUNITY I

The loose policy of the government on the qualifications for refined oil wholesale will be beneficial to the development and diversification of the Group's overall business.

OPPORTUNITY II

The Group's gas products are clean energy sources. All oil products are ethanol-gasoline that meets national standards and industry requirements, which lays the foundation for further expansion of low-emission products and businesses in the future.

To mitigate climate risks, the Group has adopted effective management approaches, including establishing a significant risks emergency management mechanism, introducing severe weather emergency management measures, increasing resources allocated to environmental compliance and training and is committed to making efforts to achieve the "30.60" goal through its core products that show excellent performance in law compliance and environmental benefits.

IV. BOARD RESPONSIBILITY

As a custodian of the main risks and a guardian of the long-term value of the Group, the Board has collective responsibilities to supervise and ensure that the Group is developed around ESG concepts and fully integrate the principles of sustainable development with the long-term development strategy of the Group. In recent years, the Group has gradually realised that ESG risks and opportunities have material impacts on the long-term development and effective operations of the Group, thereby taking measures to optimise corporate governance and structures to deliver on environmental and social responsibilities. As the expectations of investment market and the requirements of key stakeholders of the Group continue to evolve, the management of the Group ensures that the implementation and supervision of ESG policies never stop within the Group. The directors and management of the Group will also take advantage of the experience of industry professionals and the inspiration from international best practices to strengthen the top-level design and holistically consider how to establish and improve corporate governance and ESG mechanisms throughout the Group, aiming to integrate the management models aligned with ESG concepts into corporate business strategy, risk management, compliance and daily operations, in an effort to create long-term value for the enterprise and its stakeholders. Facing myriads of challenges nowadays, the Group deeply recognises that integrating ESG strategies is an important tool to control risks and improve the adaptability of business development. The Board will unswervingly fulfil its responsibilities, give play to its leadership, seize global sustainable development opportunities and continuously improve the ESG building of the Group.

V. STAKEHOLDER ENGAGEMENT

The Group believes that ensuring stable and ongoing stakeholder involvement is an indispensable part of its sustainable development strategy. Maintaining effective communication with stakeholders is essential for the Group to adapt to the ever-changing market and improve its business operations continuously. Meanwhile, an in-depth understanding of the ESG issues that stakeholders are particularly concerned about helps the Group translate its commitment to sustainable development of the environment, society and economy into long-term value creation.

The Group develops long-term and stable communication with its stakeholders through various channels, and regularly reviews and adjusts its ESG management policies to meet the needs of stakeholders.

Types of Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations in operations – Anti-corruption policies – Occupational health and safety – Give full play to the leading role in the industry and guide the industry towards sustainable development – Establish a sound corporate operating mechanism and a long-term plan for sustainable development	– Supervision on the compliance with local laws and regulations – Routine reports and tax payments – Response to the published documents and policies of the government
Shareholders	– Returns on investments – Corporate governance – Business compliance	– Regular corporate reports and announcements – Annual general meetings – Official website of the Group
Employees	– Employees' remuneration and benefits – Career path and training scheme – Healthy and safe workplace – Better serve the society and provide learning and employment opportunities to the unemployed – Further optimise the efficient operation of the management system	– Employees' performance appraisals – Regular meetings and training – Emails, notices, hotline and team-building activities with the management
Customers	– Price and quality assurance – Product safety and risk control – Strengthen actions to protect environment	– Customer satisfaction surveys – Face-to-face meetings and onsite visits – Customer service hotline and emails
Suppliers	– Fair and open procurement – Win-win cooperation with upstream and downstream partners – Supply chain risk management	– Open tender – Suppliers' satisfaction surveys – Telephone discussions – Face-to-face meetings and onsite visits – Industry seminars
Professional organisations	– Improve sustainable development system – Fulfil environmental and social responsibilities	– Telephone discussions – Surveys and online engagement – Meetings (informal or annual general meetings)
Media	– Further tap industry opportunities – Pay attention to environmental protection measures – Contribute to socioeconomic development	– Press conferences – Social media platforms
General public	– Engagement in community activities – Business compliance – Conform to business ethics – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Face-to-face interviews

To enhance the awareness of the enterprise and its stakeholders in global sustainable development goals and progress, the Group in FY2020 continued its education of the United Nations Sustainable Development Goals ("**SDGs**") to internal employees and external stakeholders through questionnaires, as well as through the communication with stakeholders, further built a plan to achieve the SDGs. According to the survey results, the Group regarded Goal 3, Goal 4 and Goal 17 as the SDGs most concerned by the Group's stakeholders during the year under review and listed the specific requirements and factors under the goals that were closely related to the Group's development as the primary issues of the development in the future and as the cornerstone of the realisation of the Group's corporate vision.

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

Reference: *http://www.undp.org/content/undp/en/home/sustainable-development-goals.html*

In response to the call and concerns from stakeholders in the SDGs and to benchmark the global sustainable development goals and leading practices, the Group has contributed or commits to contributing to global sustainable development in the following areas:

SDG3:

SDG 3 promotes a healthy life and people's well-being. The global risks engendered by the pandemic in 2020 have further highlighted the importance of health to the mankind. The Group focuses its efforts on the protection of occupational health and safety of its employees with the goal of practising "zero-accident" principle in improving safety performance, and establishes a strong culture of safety within the Group, requiring all employees to put safety in the first place. The Group regulates that all members actively identify, evaluate, reduce and control occupational health and safety-related hazards and risks in the operation process, and ensure the safety of the working environment and the staff performing the work through the effective implementation of improved policies, such as "Safety Management Red Lines" and "Hazardous Waste Management Procedures".

Since the outbreak of the pandemic, the Group has resolutely implemented the spirit of the Central Committee and the State Council on epidemic prevention and control, and strictly followed the "Implementation Plan for Epidemic Prevention and Control" to protect the health of employees and customers. During the pandemic, the Group made advantage of its own resources and strength to contribute to the national anti-epidemic actions, practised corporate social responsibility and demonstrated the duty of a corporate citizen in a commercial society.

The Group plans to put more focus on the health of employees in the future, and continuously optimise the management and control of internal occupational risks, trying its utmost to provide employees with a comfortable and secure working environment. In the post-epidemic era, the Group will invariably be alert of the social developments and changes, to enhance people's well-being in the community.

SDG4:

The Group's response to SDG 4 has been reflected in its emphasis on employees' education and training. Based on the principle of "Consolidating Corporate Culture, Being Customer-Oriented, Improving Professional Quality, Enhancing Core Competitiveness Of Corporate Talents", the Group has incorporated vocational training into corporate strategic development plans through the establishment of training and development centres, online training platforms, and full-time and part-time lecturing mechanism. Meanwhile, the Group continues to instill the sustainable development principles in its employees, aiming to cultivate innovative and "green" thinking throughout the Group via education.

The Group plans to further build a diversified training mechanism in the future and commits to enable every employee to have access to the cutting-edge information and knowledge effectively and improve professional quality and technical level through the active integration of innovative technologies.

SDG17:

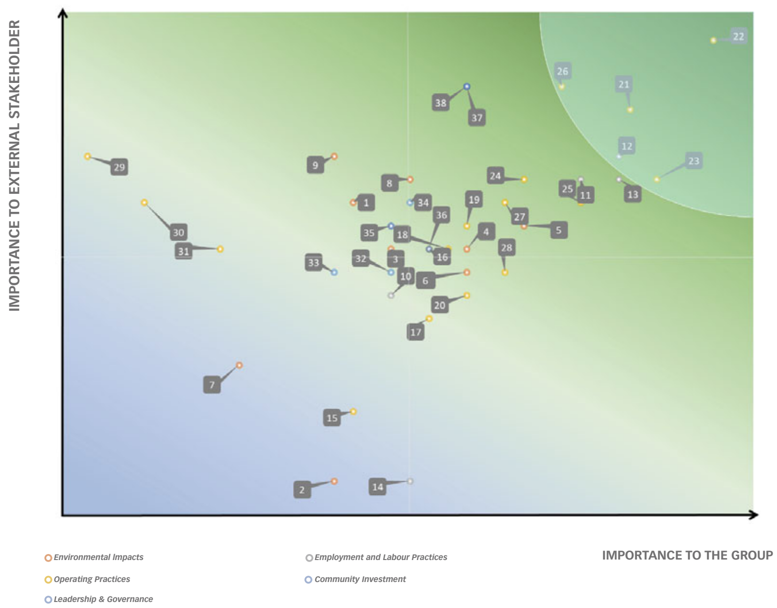
The UN SDG 17 aims to promote partnerships for achieving the goals, and emphasises the strengthening of global partnerships for sustainable development through knowledge sharing and technical cooperation with multiple stakeholders. In terms of business development, the Group launched and implemented the V20 project of ground-tank handover during the year through collaboration with external organisations, which achieved automatic data extraction and information control of oil import, sales and storage operations. Meanwhile, the Group has actively strengthened communication and collaboration with its key stakeholders to understand their concerns about the sustainable development of the Group and the whole world, so as to make breakthroughs and lead the sustainable development of the entire industry.

In the future, the Group plans to further create more opportunities for multi-lateral collaboration, utilise its strength as the leader in the industry to coordinate resources and initiate more innovative projects that are beneficial to environmental, ecological and social development.

Materiality Assessment

ESG risks and opportunities vary from industry to industry and depend on the company's specific business model and development. The Group performs an annual review on a yearly basis to determine the main concerns and significant interests of its stakeholders on ESG matters. In FY2020, the Group appointed an independent third-party organisation and invited its stakeholder representatives to participate in the Group's materiality assessment survey. The Group first selected its internal and external stakeholders based on the influence of its stakeholders and the degree of their dependence on the Group. The internal and external stakeholders selected included colleagues from the Human Resource Department, Finance Department, Retail Management Department, Vice President Office and various stations, as well as representatives from customers, media and government agencies. The selected stakeholders expressed their views on a universe of relevant corporate ESG management and related issues through online questionnaires. Specifically, the questions in the questionnaire covered topics including the company's environmental impact, employment status, supply chain management model, product responsibility management, implementation of anti-corruption policies, community investment, leadership and governance, etc. By mapping the results of the survey into a materiality matrix as shown below, the Group can effectively identify ESG issues that matter most, thereby achieving effective business management.

Stakeholder Engagement Materiality Matrix



1	Air and greenhouse gas emissions	14	Preventing child and forced labour	27	Labelling relating to products/ services
2	Sewage treatment	15	Selection of local suppliers	28	Product design & lifecycle management
3	Land use, pollution and restoration	16	Smooth communication and sound relationship with suppliers	29	Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
4	Solid waste treatment	17	Environmental risks (e.g. pollution) of the suppliers	30	Anti-corruption policies and whistle-blowing procedure
5	Energy use	18	Social risks (e.g. monopoly) of the suppliers	31	Anti-corruption training provided to directors and staff
6	Water use	19	Procurement practices	32	Community engagement and communication
7	Use of other raw/packaging materials	20	Environmentally preferable products and services	33	Participation in charitable activities and support public welfare
8	Mitigation measures to protect environment and natural resources	21	Health and safety relating to products/services	34	Cultivation of local employment
9	Climate-related risks	22	Customers satisfaction (Welfare)	35	Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
10	Diversity of employees	23	Marketing and promotion	36	Management of the legal & regulatory environment (regulation-compliance management)
11	Employee remuneration and benefits	24	Observing and protecting intellectual property rights	37	Critical incident risk responsiveness
12	Occupational health and safety	25	Product quality assurance and recall percentage	38	Systemic risk management
13	Employee development and training	26	Protection of consumer information and privacy		

Through the materiality analysis, the Group identified 'Customers satisfaction (Welfare)', 'Health and safety relating to products/services', 'Marketing and promotion', 'Occupational health and safety' and 'Protection of consumer information and privacy' as issues of high importance. The survey also helped the Group to prioritise and allocate more resources to the research about relevant topics of sustainable development, while disclosing its performance in relevant fields in this ESG report.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback and advice on the improvement of corporate ESG approach and performance, especially under the topics listed as the highest importance 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.

VI. ENVIRONMENTAL SUSTAINABILITY

Under the requirements of the 14th Five-Year Plan to coordinate the promotion of high-quality economic development and high-level protection of ecological environment, in order to pursue the long-term sustainable development of the environment and communities in which the Group operates, the Group has been committed to strictly controlling its emissions and managing resource consumption, and complied with the environmental laws and regulations of the People's Republic of China ("**PRC**") 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 in FY2020.

A.1 Emissions

In FY2020, the Group was in compliance with applicable laws and regulations during its daily operations and did not violate any laws or regulations concerning air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. The Group adheres to the developmental concept of "innovation, coordination, greenness, openness, and sharing". Guided by the goal of basically building a beautiful China by 2035, the Group actively controls energy consumption and continuously explores environmentally friendly operating models to reduce the environmental impacts of the Group's emissions.

Given the nature of its operations, air pollutants from the Group including sulphur oxides ("**SO_X**"), nitrogen oxides ("**NO_X**") and particulate matter ("**PM**") were mainly generated from the logistics vehicles for the transportation. In FY2020, the Group's air emissions of SO_X, NO_X and PM amounted to 137.9 kg, 51,344.2 kg and 3,698.9 kg respectively. It is widely acknowledged that GHGs are the major factor causing global warming and have been regulated and emphasised by various standards including the Climate Disclosure Standards Board's Climate Change Reporting Framework and TCFD recommendations. In response to the initiatives of the United Nations Framework Convention on Climate Change, the Group has been committed to efficiently controlling its GHG emissions. In FY2020, the GHG emissions from the Group were primarily caused by the burning of fossil fuels for the transportation of the fleet and the electricity consumption in office operations. The Group's total GHG emissions amounted to 14,884.3 tonnes of CO_2e, with an intensity of 9.17 tonnes CO_2e/employee. In addition, the Group generated certain amounts of solid waste and wastewater during its operations. During the year under review, the Group generated a total of 199,563.2 kg of non-hazardous solid commercial and domestic wastes with an intensity of 123.0 kg/employee, while 10,492.3 tonnes of non-hazardous commercial and domestic wastewater was discharged from the Group with an intensity of 6.5 tonnes/employee. During the year under review, the Group did not generate any hazardous wastes. The Group's total emissions in FY2020 are summarised in Table 1 below.

Compared with FY2019 (the financial year from 1 January, 2019 to 31 December, 2019), the Group's business in FY2020 developed rapidly, which resulted in the emissions increasing moderately. Despite the burgeoning development of the Group's gas refuelling and transportation businesses, the petroleum refuelling business was also included in the environmental performance audit of the Group in FY2020. The emissions generated from its operations were effectively still controlled within a reasonable range, which was mainly due to the Group's active response to the national reform in economic model towards green and low-carbon circulation development, and the effective implementation of its environmental protection policies.

Table 1 The Group's total emissions by category in FY2020[8]

Emission Category	KPI	Unit	Amount in FY2020	Intensity (Unit/ employee) in FY2020[1]	Intensity (Unit/ employee) in FY2019[2]
Air Emissions[3]	SO_x	Kg	137.9	0.1	0.1
	NO_x	Kg	51,344.2	31.6	73.8
	PM	Kg	3,698.9	2.3	5.3
GHG Emissions	Scope 1[4] (Direct Emissions)	Tonnes of CO_2e	8,943.0	5.5	16.1
	Scope 2[5] (Energy Indirect Emissions)	Tonnes of CO_2e	5,917.6	3.6	5.6
	Scope 3[6] (Other Indirect Emissions)	Tonnes of CO_2e	23.7	1.5×10^{-2}	–
	Total (Scope 1, 2 & 3)	Tonnes of CO_2e	14,884.3	9.2	21.7
Non-hazardous Waste	Solid Wastes	Kg	199,563.2	123.0	83.2
	Wastewater[7]	Tonnes	10,492.3	6.5	12.9

1. *Intensity of FY2020 was calculated by dividing the amount of air, GHG and other emissions by the number of employees of the Group as of 31 December 2020 in FY2020, which was 1,623;*

2. *Intensity of FY2019 was obtained from the "Environmental, Social and Governance" section in the Group's 2019 annual report;*

3. *Air emissions included only the air pollutants in the exhaust gas from the daily operations of the transportation fleet and vehicles for business affairs and from the operations of generators in oil depot in FY2020. To ensure the consistency in data organisation and improve the comparability of reporting content, the data of air emissions in FY2019 was from the Environmental, Social and Governance section in the Group's 2019 annual report;*

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

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

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

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

8. *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database.*

Air Emissions

The air emissions generated by the Group mainly came from the exhaust gas from transportation fleet and the small amount of gas leaked during the refuelling process. In FY2020, the Group mainly used diesel and gasoline as the power sources for automobiles. Specifically, SO_x, NO_x and PM were the main air pollutants generated by the Group. In response to the national call for energy conservation and emission reduction, the Group implemented its policies and measures to further encourage the use of clean energy as the fuel for vehicles, so as to minimise air emissions. To purify automobile exhaust, the Group actively adopted innovative technologies and applied diesel exhaust fluid to reduce NO_x in exhaust gas. Meanwhile, the Group strictly managed its logistics fleet and performed periodic maintenance of vehicles to ensure the efficient operations. For example, the Group monitored and controlled the fuel consumption per unit in vehicles, and established a reward and punishment mechanism to encourage drivers to save fuels. For the operation of gas refuelling stations, the Group required its employees to operate in accordance with operating procedures to avoid volatilisation and leakage of gas.

In FY2020, the air emission intensity of the Group's was significantly reduced as compared to the figure in FY2019.

GHG Emissions

Energy consumption is widely considered to be the main contributor to the rising GHG emissions (including carbon dioxide, methane and nitrous oxide) in the atmosphere. In 2020, China made a pledge of climate actions, striving to reach a peak in carbon emissions before 2030, and to achieve carbon neutrality by 2060. Realising the vision of carbon neutrality means that the economic growth and carbon emissions must be deeply decoupled, and this brings about massive economic structural changes. The Group deeply recognised the importance of carbon emission management, and therefore actively collaborated with external experts to perform accounting, analysis and strict management of GHGs, which were generated during operations. In FY2020, the Group's GHG emissions mainly came from the purchase of electricity and the use of automobiles. The Group attached great importance to the control of GHG emissions and made further progress in improving its power use efficiency and optimising its transportation fleet management system (GHG emission intensity of Scope 1 and Scope 2 were greatly lowered). Meanwhile, the Group further incorporated the use of paper and the consumption of water resources into the scope of monitoring and disclosure of GHG emissions in Scope 3 in FY2020, aiming to refine the Group's resource management and move towards achieving all-round sustainable development. To minimise the GHG emissions at the source, thereby reducing the relevant risks in daily operations, the Group formulated and implemented its internal policies, which are introduced in the following subsections headed under "Electricity" and "Other Energy Resources".

In FY2020, the total GHG emissions of the Group ascended, which was primarily due to the substantial expansion of businesses during the financial year. Compared to FY2019, the Group's intensity of GHG emissions in FY2020 dropped markedly.

Wastewater

The wastewater discharged by the Group in FY2020 was mainly commercial wastewater generated by employees in the offices. The Group fully implemented the concept of "Circular Economy", advocating water conservation and focusing its efforts on the recovery and reuse of wastewater. The wastewater was either discharged to the anti-seepage tank and regularly extracted as fertilizers, or directly discharged into the municipal drainage system. In order to enhance the awareness of water conservation within the organisation, the Group formulated guidelines regulating water and electricity management. The Group required that the wastewater generated meet the relevant national standards. In FY2020, the wastewater per capita of the Group further declined compared with the previous year. As the amount of wastewater largely depends on the amount of freshwater used, the Group adopted specific measures to reduce the water consumption during operations, which are further described in the subsection headed under "Water" below.

Solid Wastes

The solid waste of the Group was non-hazardous waste, which was mainly commercial solid waste generated by employees at work and waste packaging materials during the operations of convenience stores at gas refuelling stations. To manage waste more effectively, the Group adopted various measures, such as rubbish sorting followed by the collection and disposal by government departments. The Group's transportation business regarded sustainability and intelligence as the direction for development, and actively embraced and promoted green and circular operations. For example, the Group recommended waste reduction at source and encouraged the recycling of packaging and oil drums. Meanwhile, the Group also implemented a "Food-Wise" culture in the cafeteria to reduce food waste by employees. In view of the Group's commitment to Sustainable Waste Stewardship, all business segments took effective actions to manage, reduce, reuse and recycle solid waste materials and other types of waste. The specific measures are as follows:

- Sort and separate solid waste for recycling;
- Sell the recyclable solid packaging materials to the recycling plants for processing and reuse;
- Educate all employees to reduce the use of disposable consumables such as plastic tableware;
- Formulate "Hazardous Waste Management Procedures" to manage the waste mineral oil generated by tank cleaning operations in the oil depot, and transfer and dispose of the wastes in accordance with the national "Measures for the Administration of Hazardous Waste Transfer Forms"; and
- Promote the recycling and reuse of office supplies and other materials.

The logistics business segment of the Group set energy-saving and emission-reduction targets for the management of solid waste generated during its operations, aiming to continuously advance towards the improvement of its green logistics management plan. In the meantime, the Group's petroleum/gas refuelling businesses also established a 20% reduction goal for waste, through which the Group committed to developing its operating philosophy with environmental protection and recycling as its core.

A.2 Use of Resources

In FY2020, the primary resources consumed by the Group were electricity, diesel, gasoline and water. The Group paid great attention to product containers and adopted different methods for the storage of different resources. For example, Liquefied Natural Gas ("**LNG**") is filled in LNG storage tank; CNG is filled in gas storage cylinder; and LPG is filled in LPG storage tank. Through strict classification and management, the Group ensured that those containers could prevent the leakage of resources. Meanwhile, the Group standardised its operating procedures of equipment maintenance to avoid leakage of the medium. The Group also installed an oil and gas recovery system to effectively reduce the volatilisation of resources. During the year under review, the Group did not consume significant amounts of packaging materials, thereby not making a disclosure in the report. Table 2 illustrates the amount of different resources used by the Group in FY2020.

Table 2 Total Resource Consumption in FY2020

Use of Resources	KPI	Unit	Amount in FY2020[1]	Intensity (Unit/ employee) in FY2020[2]	Intensity (Unit/ employee) in FY2019[3]
Energy	Electricity	kWh'000	7,617.0	4.7	7.2
	Diesel	Litres	3,352,777.0	2,065.8	4,908.1
	Gasoline	Litres	75,712.3	46.6	77.4
Water	Water	m^3	10,492.3	6.5	13.0
Others	Paper	Kg	4,344.1	2.7	–

1 *The resource consumption in FY2020 included that from the operations of the Group's offices, 29 gas refuelling stations, 69 petroleum refuelling stations and transportation fleet;*

2 *Intensity of FY2020 was calculated by dividing the resources consumed by the Group in FY2020 by the number of employees as of 31 December 2020 in FY2020, which was 1,623; and*

3 *Intensity of FY2019 was obtained from the "Environmental, Social and Governance" section in the Group's 2019 annual report.*

Electricity

The electricity consumption of the Group mainly came from the daily operations in offices and various business segments. All business segments of the Group complied with relevant laws and regulations and electricity-saving policies. In recent years, the various business segments of the Group have been undergoing rapid growth, and new petroleum refuelling station business was included in this financial year. Nevertheless, due to the Group's unremitting efforts in electricity conservation, the Group's electricity use intensity in FY2020 was 4.7 kWh'000/employee, which witnessed a fall of approximately 35% as compared to FY2019. Since electricity consumption is the major impact on climate change during the operations of most companies, to further reduce electricity consumption and lower GHG emissions, the Group incorporated the slogan of "saving electricity" into its business development strategy and daily operations. In particular, the following measures were implemented:

- Switch off all lights, electronics and other power-consuming equipment at the end of the day;
- Place "Saving Electricity, turn off the Light when Leaving" posters in prominent places to remind employees of energy conservation;
- Maintain the electrical appliances (such as air-conditioners and paper shredders) on a regular basis to keep their high efficiency;
- Practise the principles of green procurement in the procurement of energy-related products to improve energy-saving performance;
- Adjust the set temperature of air conditioners (e.g. no lower than 22°C in summer and no higher than 24°C in winter);

- Educate the staff at offices about energy conservation and environmental protection;
- Switch off certain lifts and escalators during off-peak hours;
- Utilise energy-saving lights to replace traditional lighting bulbs;
- For areas with no need for air-conditioning, encourage employees to use natural ventilation or fans; and
- Encourage all employees to open curtains where possible to make the best use of natural light.

Other energy resources

The energy resources consumed by the Group in daily operations and vehicle transportation were mainly diesel and gasoline, which were used for business travel and product transportation. The Group has long been committed to reducing the use of fossil fuels, vigorously developing natural gas as the main energy source for transportation and focusing on improving the operating efficiency of its transportation fleet. To actively respond to the roadmap of the national low-carbon transition, the Group continues to study the feasibility of the commercialisation of green and low-carbon technologies that are already or basically mature, and set up a special team to be responsible for the research of clean energy transportation projects. The Group is committed to more investments in and use of new energy vehicles, and building a "green" transportation fleet in the near future. In FY2020, the Group encouraged its employees from various business segments to make use of public transport or walking instead of driving to work, and to utilise digital equipment and technology to have online meetings to reduce the frequency of travel. The vehicles of the Group's transportation business were purchased in full accordance with national standards and meet the standards in emissions and utilisation efficiency. The performance of vehicles in emissions and energy efficiency were evaluated and inspected annually. Meanwhile, the Group regulated and supervised the practices in energy conservation through details, such as parking and flameout, and formulated an effective system for fuel consumption management to control the consumption of resources during transportation.

Water

The conservation and protection of water resources is the key part of urban water management as well as a fundamental aspect to ensure sustainable economic and social development. The Group regards the improvement of utilisation efficiency of water resources as one of its long-term development principles. During the year under review, the Group did not face any problems in sourcing water sources. The Group's development principle of "Improving Water Utilisation Efficiency, Seeking Sustainable Use Of Water" was implemented in all aspects of operations. Further, the Group encouraged its employees to conserve water resources, hoping the employees in the office to reduce water consumption and increase reuse rate properly. To further improve water utilisation efficiency, the Group also adopted the following measures:

- Fix dripping taps timely and avoid any leakage of the water supply system;
- Put "Saving Water Resource" posters in prominent places to encourage water conservation;
- Strengthen the inspection and maintenance of water taps, water pipelines and other water storage facilities;
- Require employees to strictly follow the policies of water conservation in the Group; and
- Advocate the importance of saving water among employees through internal training and seminars.

A.3 The Environment and Natural Resources

During the "14th Five-Year Plan" period, in which the momentum of China's economic growth will undergo a fundamental change, the formation of a positive cycle of supply, demand, technology, and policies with green elements as the core is of paramount importance to all enterprises. The Group has long been committed to reducing the consumption of electricity, gasoline, diesel, natural gas and water resources in operations by taking a series of effective measures. As "carbon neutrality" and "green recovery" have gradually become the global mainstream, the Group insisted on speeding up the promotion of green and low-carbon development during the year under review, continuously evaluating and minimising the environmental impacts of operations, and committed to comprehensively improving resource use efficiency. With the continuous development of and actions taken to promote clean energy led by natural gas vehicles in China, the Group's gas refuelling business has reflected in its integration of sustainable development into business strategy, as a response to the strategic deployment of the national energy structure reform. Through systematic analysis, the major impacts of the Group's operations on the environment and natural resources were mainly concentrated on the consumption of natural resources during the operation of its transportation fleet and other operations. Considering energy conservation and air emission control as its important strategic missions, the Group continued to optimise the management of its logistics business, making an effort in selection of appropriate routes for transportation, maintenance and upgrading of transportation fleets and wide application of clean energy resources, which enabled the Group to minimise its impacts on the environment and achieve green transportation. Specifically, the Group took environmental protection into considerations in selection and procurement of transportation vehicles, and selected energy-efficient and clean energy vehicles. Besides, the Group carried out inspections on vehicle exhaust on a periodic basis to ensure their compliance with national and local standards. In the process of embracing "Circular Economy", the Group reduced excessive packaging of products, as well as adopted a unified approach to managing the maintenance parts, which were all sold to the recycling stations. Facing the climate crisis, the Group was deeply aware of the responsibilities and obligations that it must assume as an industry leader. By planting trees around office buildings, the Group was committed to contributing to the mitigation of climate change through carbon offset. Moreover, the Group actively followed the government's requirements on the procurement of environmentally friendly vehicles, and resolutely made changes in upgrading vehicles by applying for subsidies and collaborating with transportation associations actively.

The Group has put forward clear targets for its environmentally sustainable development and committed to reducing the "three wastes" by 30% with the baseline of emissions in FY2019. In FY2020, the Group persevered in growing towards the goals of environmental sustainability and made progress in the continuous reduction of its environmental impacts.

Meanwhile, the Group has put its focus on the education and promotion of low-carbon operations and lifestyles, introducing paperless office and office automation and adopting the following measures to manage the consumption of paper in offices, thereby cultivating the good habits of diligence and thrift among employees:

- Set duplex printing as the default mode of most printers;
- If not necessary, eliminate the single-side printing;
- Collect single-sided paper or waste paper in boxes or document trays for reuse; and
- Encourage employees to use the back of single-sided documents for printing or as draft paper.

Looking forward, the Group will unswervingly insist on the sustainable development in the office and during daily operations, and allocate more resources to green development and innovative research to explore and achieve a new development path with better quality, better efficiency and better structure that enables the Group to fully make use of its advantages.

VII. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1 Employment

The Group values the talents of its employees and regards them as the key to promoting the success and maintaining the sustainable development of the Group. The Group remains committed to providing employees with a suitable and stable working platform where its staff can realise their own value while improving their professional skills and quality. As of 31 December, 2020, the Group had a total of 1,623 employees, including 1,042 males and 581 females.

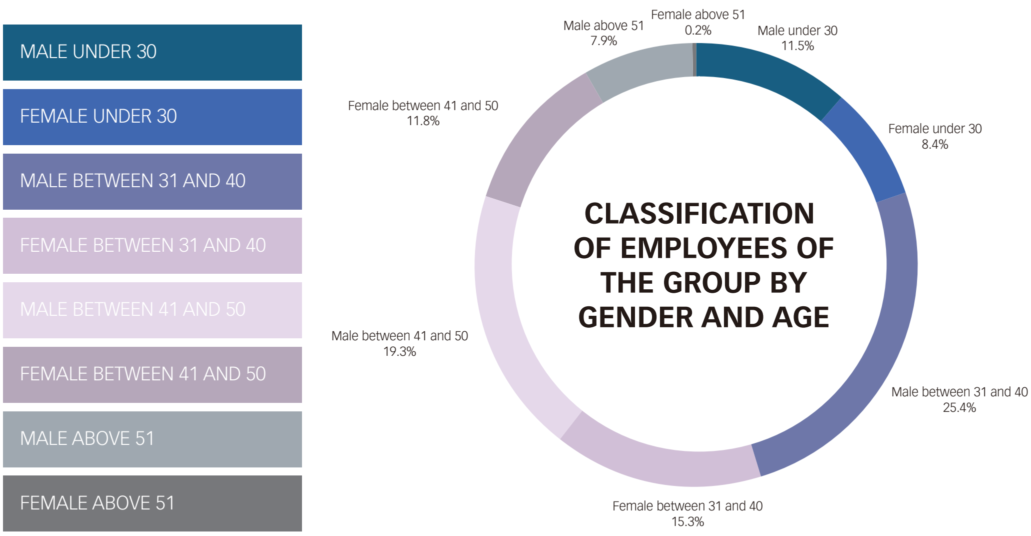


Table 3 The Total Number of Employees of the Group as of 31st December 2020 in FY2020 by gender, age and position

		Gender		Age								Position		
Region	Total number of employees	Male	Female	Male under 30	Female under 30	Male between 31 and 40	Female between 31 and 40	Male between 41 and 50	Female between 41 and 50	Male above 51	Female above 51	General staff	Middle management	Senior management and director
Changchun	954	655	299	105	66	253	129	214	101	83	3	889	53	12
Dandong	218	101	117	30	23	44	51	8	43	19	0	210	6	2
Wuchang	9	5	4	0	0	1	1	2	3	2	0	9	0	0
Jilin	43	26	17	5	3	14	8	5	6	2	0	43	0	0
Helong	7	6	1	3	0	1	1	2	0	0	0	7	0	0
Siping	5	5	0	0	0	3	0	2	0	0	0	5	0	0
Antu	8	7	1	1	0	2	1	3	0	1	0	8	0	0
Yanji	69	44	25	9	9	19	12	8	4	8	0	64	2	3
Dehui	10	3	7	1	0	1	2	1	5	0	0	10	0	0
Songyuan	14	10	4	2	1	4	1	4	2	0	0	14	0	0
Huadian	19	12	7	5	4	6	1	0	2	1	0	19	0	0
Meihe	2	1	1	0	0	0	0	1	1	0	0	2	0	0
Meihekou	6	5	1	2	0	0	1	3	0	0	0	6	0	0
Wangqing	7	6	1	0	0	4	1	2	0	0	0	7	0	0
Baicheng	20	13	7	3	2	6	5	3	0	1	0	20	0	0
Baishan	12	4	8	1	2	2	3	1	3	0	0	12	0	0
Panshi	9	3	6	0	2	2	3	1	1	0	0	9	0	0
Jiaohe	15	4	11	0	1	3	3	1	7	0	0	15	0	0
Anshan	5	0	5	0	2	0	3	0	0	0	0	5	0	0
Wafangdian	9	1	8	1	2	0	4	0	1	0	1	9	0	0
Shenyang	156	111	45	11	15	39	18	50	12	11	0	147	6	3
Liaoyuan	19	14	5	5	5	6	0	2	0	1	0	19	0	0
Longjing	7	6	1	2	0	3	1	1	0	0	0	7	0	0

Legal compliance

The Group's employment policies have been constantly updated and revised since the inception of the Group to cater to social changes, and more importantly, to abide by the relevant laws and regulations. In FY2020, the Group complied with the relevant laws and regulations, including the following:

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

According to the latest laws and regulations, the Human Resource Department of the Group is responsible for regularly reviewing and updating relevant policies within the company, such as "Employee Manual", in which regulations on employee's code of conduct, reward and punishment management, personnel management, training management, salary management and promotion management are clearly stated.

Recruitment and promotion

The Group adheres to a people-oriented development strategy and believes that the acquisition and training of talents is essential to the long-term development of business. Therefore, the Group regularly reviews its remuneration packages and performs evaluations of its employees' capabilities and performance to ensure that all employees' efforts and contributions can be recognised by the Group. The Group has adopted a set of transparent and clear procedures, such as formulating and managing recruitment activities in accordance with the "Employment Management Regulations", aiming to align with the principles of "Openness, Fairness, Competition, Selection of the Best" in the recruitment. The "Employment Management Regulations" clearly stipulates the requirements of employment on position types, age, medical examination, insurance payment and reporting procedures, in order to standardise the recruitment process. In FY2020, the Group held a number of recruitment activities, including the Northeast Petroleum University Job Fair, Jilin Institute of Chemical Technology Graduate Career Talk, Beihua University Graduate Job Fair, Changchun Large-scale Graduate Job Fair and Jilin Engineering Normal University Graduate Job Fair, etc. In order to attract talents, the Group provides fair and competitive remuneration and benefits based on employees' past performance, personal contribution, work experience and career aspirations. The Group also refers to relevant market levels and internal "Employee Manual" and classifies employees into C, D and E level, based on which the Group provides promotion opportunities and platform to the employees with outstanding performance in their positions and potential for professional development. Through self-learning and endeavours, employees can not only pursue career development horizontally, but seek promotion and realise personal value as well.

Compensation and dismissal

The Group constantly reviews its compensation system, regularly evaluates employees' working performance and potential, and adjusts corporate compensation package according to industry standards. The Group adjusts its compensation packages to employees according to its previous year's compensation practice, operating performance, CPI index and industry benchmarks. The employees' salary information is strictly kept confidential in accordance with "Employee Salary Confidentiality Management Measures". Employees are required not to disclose their own and other employees' salary composition and accounting methods, not to inquire about the salary of others, not to comment on the salary of others and not to disclose the salary of any personnel without the permission to external parties. Any appointment, promotion or termination of the employment contract in the Group should be legitimate and strictly implemented in accordance with internal policies. Resigning employees shall give 30 days prior notice, with the completed "Application Form for Resignation" which addressed reasons for resignation. After approval, employees should report to the Human Resource Department in time who reviews and confirms the case before the resignation. The Group strictly prohibits any kinds of unfair or unreasonable dismissals, thereby formulating strict employee management policies that regulate the dismissal procedures. Employees in special positions leaving the Group shall undergo a resignation audit. For employees who have violated the Group's employment policies, the Group verbally warns before issuing a warning letter and terminates the employment contracts of those who have made the same mistakes repeatedly despite being warned in accordance with relevant national laws and regulations.

In FY2020, the employee turnover rate of the Group was only 4.4%, which was recorded as a decline of approximately 81% compared to FY2019.

Table 4 Employee Turnover of the Group by Gender and Age in FY2020

		Gender		Age							
Region	Total number of resigned employees	Male	Female	Male under 30	Female under 30	Male between 31 and 40	Female between 31 and 40	Male between 41 and 50	Female between 41 and 50	Male above 51	Female above 51
Changchun	15	12	3	9	1	2	2	1	0	0	0
Dandong	3	1	2	0	1	1	1	0	0	0	0
Wuchang	4	3	1	2	0	1	1	0	0	0	0
Jilin	2	1	1	0	0	0	1	1	0	0	0
Helong	0	0	0	0	0	0	0	0	0	0	0
Siping	0	0	0	0	0	0	0	0	0	0	0
Antu	0	0	0	0	0	0	0	0	0	0	0
Yanji	7	7	0	1	0	1	0	5	0	0	0
Dehui	0	0	0	0	0	0	0	0	0	0	0
Songyuan	0	0	0	0	0	0	0	0	0	0	0
Huadian	3	2	1	1	1	1	0	0	0	0	0
Meihe	0	0	0	0	0	0	0	0	0	0	0
Meihekou	0	0	0	0	0	0	0	0	0	0	0
Wangqing	0	0	0	0	0	0	0	0	0	0	0
Baicheng	7	3	4	1	2	2	2	0	0	0	0
Baishan	0	0	0	0	0	0	0	0	0	0	0
Panshi	2	1	1	1	1	0	0	0	0	0	0
Jiaohe	1	0	1	0	0	0	1	0	0	0	0
Anshan	0	0	0	0	0	0	0	0	0	0	0
Wafangdian	0	0	0	0	0	0	0	0	0	0	0
Shenyang	24	10	14	2	7	8	5	0	2	0	0
Liaoyuan	4	2	2	1	1	1	1	0	0	0	0
Longjing	0	0	0	0	0	0	0	0	0	0	0

Working hours and rest periods

The Group has formulated internal policies in its "Employee Manual" based on local employment laws including the "Provisions of the State Council on Employees' Working Hours" to strictly manage the working hours of employees and set up a reward and punishment mechanism. In addition to basic paid annual leave and statutory holidays, employees may also be entitled to additional paid leave such as marriage leave, maternity leave and funeral leave. Employees should complete the "Application Form for Resignation" with reasons and time before applying for the leave. The rest period takes effect only after the superior's approval.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group has been committed to integrating the spirit of SDG 5 and 10 into its development, and creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. Therefore, the Group keeps regulating its daily practices, preventing any activity that may violate the principle of equal opportunity or anti-discrimination. In all business divisions of the Group, training and promotion opportunities, dismissals and retirement policies are provided based on factors irrespective of the employees' age, gender, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. The Group encourages its employees to report any incidents involving discrimination to the Human Resource Department of the Group. The Human Resource Department takes responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions on responsible individuals.

In order to promote equal opportunities across the Group and eliminate all forms of discrimination, the Group focuses on the effective communication between the management and general employees. Employees can build a good relationship for dialogues with the Group leaders through WeChat, text messages, general manager's mailbox, internal staff advisory meetings and other channels.

Other benefits and welfare

The Group provides well-equipped staff dormitories for its employees. To ensure the physical and mental health of employees and let them maintain a positive attitude towards work, the Group also purchases work-related injury insurance for its employees in accordance with relevant national laws and regulations, and arranges team-building activities to broaden employees' horizons, strengthen their bonds and boost morale. The Group believes that employees are the creators, practitioners and pioneers of realising corporate value, and improving the sense of belonging of employees can help employees explore their self-worth and bring positive changes to a company more effectively. As such, the Group carried out various forms of cultural and sports activities for employees in FY2020, including skill competitions, badminton contests and shuttlecock matches.

In FY2020, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2 Health and Safety

The Group has laid great emphasis on the understanding and implementation of safe operations and safety management across the Group, and believes that it is essential to provide and maintain a safe, clean and friendly working environment for all employees. In FY2020, the Group implemented strict safety and health policies such as "Safety Management Regulations" and "Safety Management Red Lines", and strictly complied with relevant laws and regulations in the PRC, 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.

To implement the requirements of relevant laws, regulations, policies and standards related to the prevention and control of occupational disease and strengthen the management, the Group has formulated and strictly implemented its "Occupational Health Management System" and "Hazardous Waste Management Procedures", systematically regulating safe working procedures. To clearly convey the message of occupational disease prevention and occupational health and safety responsibilities to personnel at all levels of gas and petroleum refuelling stations, the Group sticks to the principle of "Responsibility at All Levels, Each Performs Its Duty", striving to achieve sustainable development of production. In its reward and punishment management system, the Group has made clear regulations on issues related to safety and health, and strictly disciplines individuals with any violation of safety and fire management, sanitation management or safe operating procedures. The Group's health and safety policies are summarised as "Full Safety", "Environmental Improvement", "Precaution First", "Sustainable Development", "People-Oriented" and "Protection of Health".

In the policy of "Safety Management Red Lines" implemented by the Group, strict requirements on safety management are imposed on various business segments of the Group and its service contractors, including the management, petroleum refuelling stations, gas stations, mixed refuelling stations, oil depots and transportation vehicle fleets.

Safety Management Red Lines of the Group

01	02	03	04	05
Gas stations prohibit	*Petroleum refuelling stations prohibit*	*Mixed refuelling stations prohibit*	*Oil depots prohibit*	*Transportation vehicle fleets prohibit*
• Smoking at the station • Illegal hot work • Illegal use of electricity • Working after drinking • Entering the explosion-proof zone without antistatic workwear • Unloading gas without clamping electrostatic clamps, etc	• Filling the plastic drum directly • Using non-explosion-proof equipments in the explosion-proof zone without permission • Hitting iron directly in the explosion-proof zone • Repairing cars and pumping oil from the fuel tank in the explosion-proof zone , etc	• Unloading oil (gas) without clamping electrostatic clamps • Change the plate without removing the trachea • Using non-explosion-proof equipments in the explosion-proof zone without permission • performing high-risk operations without the presence of supervisors, etc	• Bringing cigarettes, lighters or mobile phones into the depot area • Entering the explosion-proof zone without antistatic workwear (footwear) • Loading or unloading oil and performing tank dumping operations without being supervised • Entering restricted area for operations without permission, etc	• Making phone calls or using mobile phones while driving • Illegal hot work (vehicle maintenance) • Changing the transportation route without permission • Starting a vehicle without safety check after loading and unloading, etc

The Group requires the main persons in charge of each gas and petroleum refuelling station to earnestly implement the national laws and regulations on the prevention and control of occupational hazards, participate in occupational health trainings regularly, and supervise the formulation and implementation of health management systems and operating procedures in daily operations. The Group requires that the annual plans of all units at all levels to include training content related to occupational disease prevention and control, and train employees in an organised way. Any occupational hazard accident should be reported to the local work safety administrative department in a timely manner, and the Group should take effective measures to reduce or eliminate hazardous factors to prevent the accident from escalation in scale. The Group strictly prohibits any practices of late reporting, underreporting, false reporting or concealing occupational hazard accidents.

The Group has established an occupational safety management team, which is responsible for assisting employees of the Group to learn and implement national laws, regulations, rules and standards related to occupational hazard prevention, supervising the implementation of the accountability system in relation to occupational hazard prevention at all levels, and guaranteeing the health and safety of employees during operations. The Group arranges professionals to conduct occupational hazard inspections on the operating site every year and provides occupational health examinations for its employees.

All newly hired employees are required to participate in a series of safety training courses arranged by the Group before taking up the position. The focus of training is mainly on laws and basic knowledge about occupational health, occupational health management system and operating procedures, the correct use of protective equipment and emergency rescue measures in accidents, which the Group believes can improve its employees' safety awareness. The Group prepares and posts safety announcements and warning signs in prominent areas within the workplace. The Group arranges physical examinations for all employees of the Group every year and integrates the results into the employees' health records.

FY2020

OCCUPATIONAL HEALTH AND SAFETY TRAINING

The Group's Safety and Environment Department is responsible for the regular inspections, review and supervision of the implementation of the Group's occupational health and safety-related policies, tracking any non-compliance with standards and urging responsible individuals to make prompt rectifications.

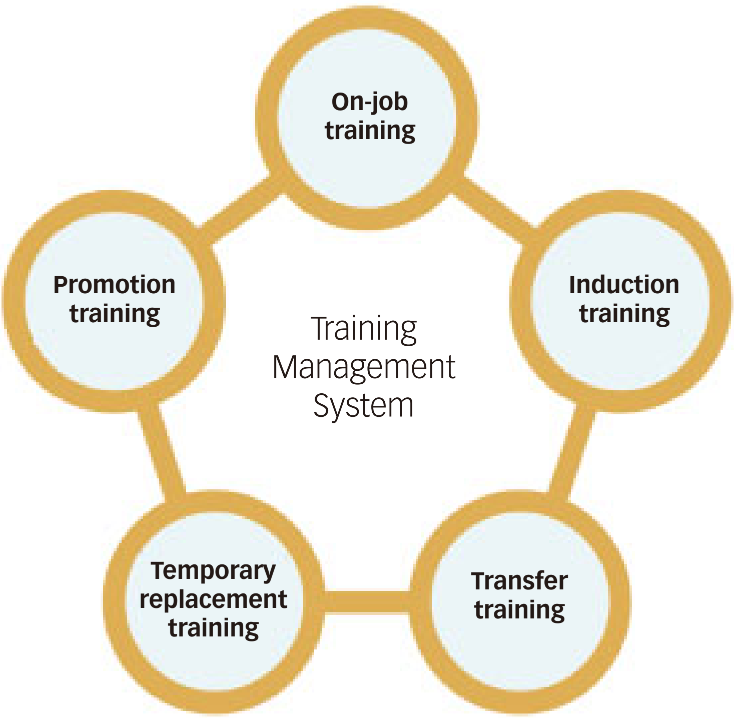
Since 2012, the Group has appointed an external industrial safety consulting company to provide regular safety management advisory services. Monitoring systems have been installed in petroleum and gas refuelling stations to ensure facility safety in real time. Designated employees need to check the facilities regularly to prevent accidents such as fires and explosions. The Group has formulated emergency response plans, such as "Safety, Health and Environmental Protection Incident Management Procedures", to deal with any possible accidents.

In FY2020, a total of 370 lost days due to work injuries were recorded in the Group. The Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

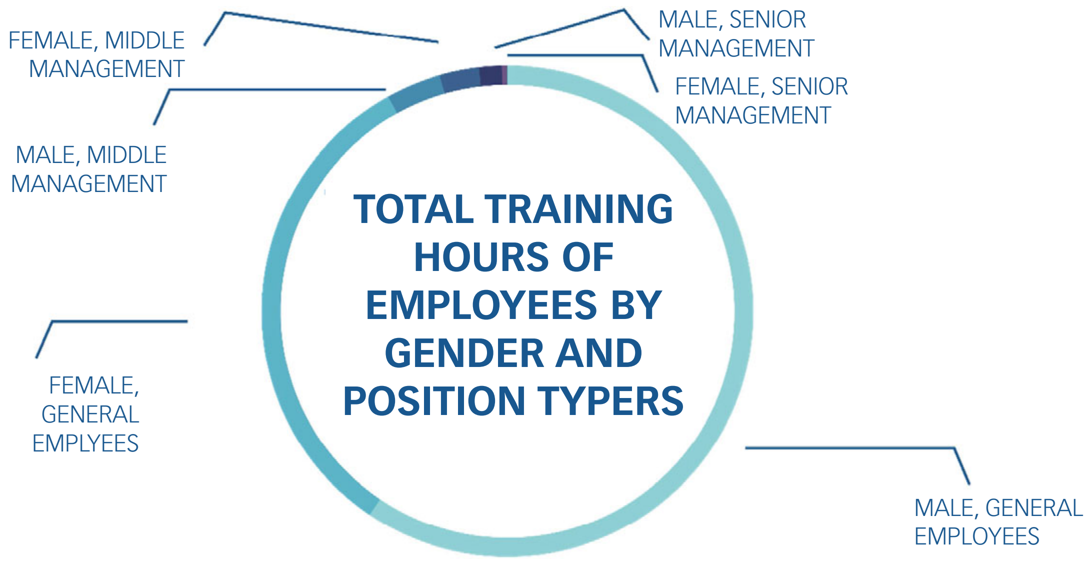
B.3 Development and Training

The Group believes that training is an "Investment in Talent" that cannot be ignored in business development and one of the keys to maintaining long-term corporate development. To cultivate outstanding talents, the Group always focuses on improving its employees' capabilities and career development, as well as growing with its employees. Adhering to the corporate culture, the Group has been committed to helping employees make scientific and effective career plans and providing promotion opportunities to its employees. The Group strives to design and provide appropriate training courses for employees based on their needs. During the year under review, the Group made use of its training centre in Changchun City, Jilin Province and online training platforms such as United Strength Academy and United Strength WeChat Classroom in accordance with its internal policies, such as "Training Management Regulations" and "Employee Manual", to organise multiple online and offline training courses. The Group's training procedures are carried out in a strict and standardised manner, covering 5 key steps including training needs analysis, training plan formulation, training plan implementation, training performance evaluation and application of assessment results. In FY2020, the Group further optimised its training system and plans. For example, the Group planned to set up the Teaching and Research Section of United Strength Training Centre and offer subsidies for the development of courses. Meanwhile, the Group issued a notice on the management measures for full-time and part-time lecturers of United Strength in the financial year, and launched the annual TTT training project and live-streaming training project for full-time and part-time lecturers. In the training of PSM process safety management, the Group launched the annual key position training and certification project. The Group also paid attention to and formulated management measures for the training of reserve personnel.

The Group requires new employees to undergo occupational health training, including basic knowledge and hazard characteristics of petroleum products, risks in the position and countermeasures, and safety precautions for operations in oil refuelling stations, and assessments before taking up their jobs. In the case of transfers, the Group arranges position-specific occupational health training assessments for employees to determine the qualification of candidates. Personnel from external construction units must refer to the regulations of occupational safety and health training of the Group, and should attend training and pass assessments before taking up the post. In-service employees should receive occupational health training twice a year. Given the business nature, the Group's training primarily focuses on safety courses. All training related to occupational health is recorded and archived in accordance with the training file management policy.



In FY2020, the Group held approximately 100 training courses for its employees in offices, petroleum and gas refuelling stations, logistics divisions and oil depots. The number of participants in the training courses reached 1,574, and the aggregate training time amounted to 38,820 hours. The training content varied from "Emergency Preparedness Before Snow Disasters", "Occupational Health Hazards", "Defensive Driving Techniques", "Work Permit Management Procedures", "Personal Products Safety Management System", "Training on Major Hazard Sources", "Special Emergency Plan in Petroleum Refuelling Stations", to "Hazardous Waste Management Procedures" and "Techniques and Equipment Change Management Procedures". At the beginning of 2020, under the critical challenge of the pandemic, the Group strengthened the relevant training of epidemic control for its employees, including the "Prevention of COVID-19 and Daily Precautions" and "Policy Interpretation: Priorities for Human Resources Management and Control in the Post-Epidemic Period".



B.4 Labour Standards

In FY2020, the Group abided by the Labour Law of the People's Republic of China and other related labour laws and regulations in the PRC to prohibit any child and forced labour employment. To combat illegal employment of child labour, underage workers and forced labour, the Group's Human Resource Department requires all job applicants to provide valid identity documents and fill in the "Employee Registration Form" in detail to ensure that they are lawfully employable prior to confirmation of any employment according to the "Employee Recruitment Management Regulations". The Human Resource Department carries out background check item-by-item according to the "Employee Check List" and is responsible for monitoring and ensuring the compliance of the Group's policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. Once any incident that fails to comply with the labour standards is found, the Group will terminate the employment contract immediately.

In FY2020, the Group was not in violation of relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

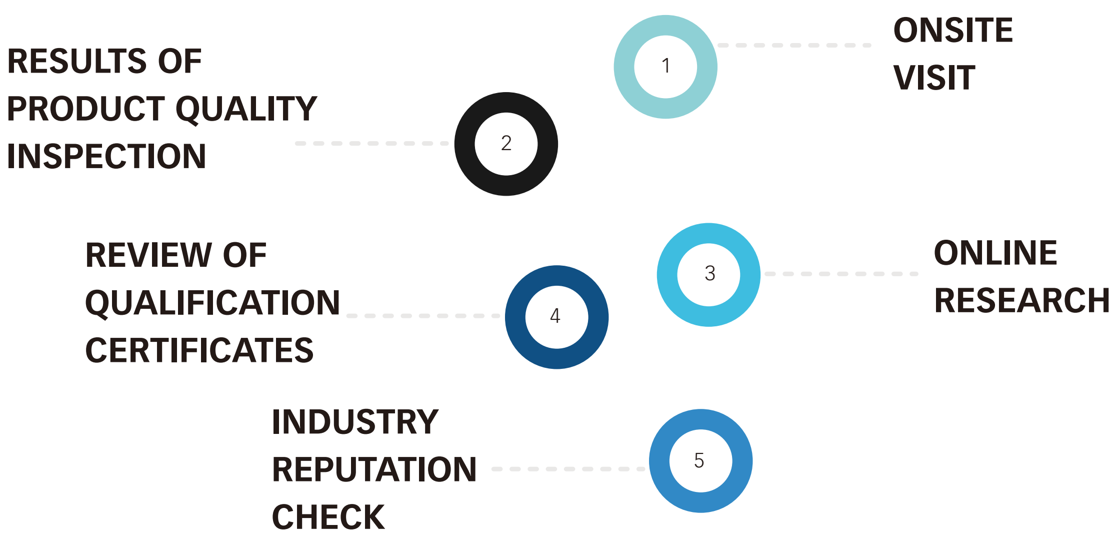
B.5. Supply Chain Management

As the State Council and relevant ministries and commissions formulated normative guidance documents including different aspects of green supply chain, such as the "Green Procurement Guidelines for Enterprises", that encourage enterprises to implement sustainable supply chain management and enhance core competitiveness, as a socially responsible company, the Group deeply realises that it is of great importance to build sustainability of its supply chain. The Group emphasises the reduction of environmental and social risks that may affect its supply chain, and aims to effectively lower ESG risks through continuous sustainability assessment of the current supply chain, establishment of an accountability system based on ESG, and training on and communication with its suppliers. The Group requires its suppliers to abide by relevant laws and regulations. Each subsidiary of the Group should strictly monitor the qualifications and practices of its suppliers in the supply chain.

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

Gas and petroleum refuelling station business

The selection of suppliers in the business segment of the Group 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. The selected suppliers must submit a gas and oil quality inspection report issued by the third-party to the Group. The Group conducts market research on various suppliers and compares the quality and price of the products they provide, striving to pinpoint the best supplier. In addition to business qualifications, supply capabilities, product quality and prices, the supplier's supply channels, credibility, financial status and other relevant information are also included by the Group as the premise determining if it can maintain a stable, secure and effective cooperation with selected suppliers. Product quality, price, environmental and social risks are all considered as important factors of the Group in the process of supplier selection. The current suppliers of the Group are all large-scale enterprises with good reputation in local areas.



To ensure a sufficient and stable gas and oil supply, the Group's Operation Department is responsible for the formulation of product procurement plans and the supervision and management of the procurement process in accordance with the requirements of the "Gas Procurement Management System" and other policies. In accordance with the "Regulations on Gas Inbound and Outbound Management", the gas and petroleum refuelling stations of the Group's subsidiaries are responsible for the procurement, acceptance and delivery of products. The Finance Department is responsible for the payment of gas and oil orders. The Group usually enters into annual gas supply framework agreements with its suppliers. The agreement sets out pricing, purchasing methods, delivery and payment arrangements. The Group inspects multiple suppliers simultaneously to prepare for any emergency of supplier shortages or rising prices. The Operation Department of the Group monitors the gas and oil inspection reports provided by the suppliers. If any product is found to be below standard or any supplier is found to be in breach of agreements, the Group must communicate with the suppliers in a timely manner to assist in rectification. The collaboration can only be continued after the rectification is completed, otherwise the Group chooses the backup supplier. In FY2020, the Group did not spot any violation of regulations of the behaviours of or the supply of low quality products from suppliers.

The Group has formulated a "Qualified Supplier List" to manage its supply chain. The supply contracts signed by the Group with its suppliers generally last for one year, and the list of qualified suppliers is updated annually accordingly.

Petroleum and gas transportation business

Petroleum and natural gas transportation services mainly involve the transportation services of natural gas, LNG, gasoline and diesel. In the process of supplier selection and product procurement, the Procurement Department of the transportation business of the Group, in accordance with internal policies such as the "Equipment Management Regulations" and "Material Procurement Management System", assesses suppliers' business license, quality management system, company reputation, after-sales service and national compulsory product certification, such as "Refined Oil Retail Business License", "Pressure Vessel Production License", through tendering and purchases products from qualified suppliers based on national standards. The transportation business of the Group maintains good relationship with its suppliers, whose operations are required to be in compliance with laws and regulations of the countries and regions in which they operate, and adhere to their business ethics. To maintain a good collaborative partnership with suppliers, the Group regularly visits and reviews its partners to control the risks in various aspects.

SUPPLIER RISK ASSESSMENT

- **LICENSE FOR OPERATIONS**
- **COMPLIANCE WITH SAFETY REQUIREMENTS**
- **CONFORMANCE TO AGREEMENTS FOR COLLABORATION**
- **POTENTIAL SAFETY RISKS IN TRANSPORTATION ROUTE**

To manage the environmental risks in the supply chain, the Group firmly opposes the collaboration with suppliers who do not comply with relevant environmental regulations and standards, and gives priority to the cooperation with local suppliers with good reputation and environmentally friendly products during the procurement process. For example, the aluminium alloy trailers purchased by the Group adopt the method of loading oil from the lower part to reduce environmental impact of the automobile transportation process. Meanwhile, this business segment of the Group performs surveys on environmental indicators of its suppliers' products and actively communicates with suppliers to effectively control, reduce and prevent environmental hazards in the supply chain.

The Group strictly supervises and records the number and types of its suppliers at each operating site. The coverage rate of its green procurement policy for its suppliers was 100% in FY2020.

B.6. Product Responsibility

The Group strictly complied with the laws and regulations relating to the health and safety of the Group's products and services, advertising, labelling and privacy matters of the PRC in FY2020, including:

- 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;
- Advertising Law of the People's Republic of China;
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests;
- Road Traffic Safety Law of the People's Republic of China;
- Regulation of the People's Republic of China on Road Transport;
- Hazardous Chemical Management Regulations;
- Regulation of Gas Cylinder Filling; and
- Regulation of Automobile Transportation of Dangerous Goods, etc.

The Group adheres to the principles and targets to advance, that is, "following the market, putting customers first, building brands plus chains, excellent management and becoming the leading integrated energy supply chain management enterprise in the country", strictly managing and improving the product transportation efficiency, product quality and service quality of gas and petroleum refuelling stations. The Group has established "Legal Affairs Management System" to follow up with legal affairs such as gas and petroleum refuelling station licence registration and annual inspection, finishing lease registration, EIA approval, EIA acceptance and other affairs in time. Specifically, the Safety Equipment Department collects fire safety and safety-related laws and regulations and relevant professional and technical standards; the Human Resource Department is responsible for collecting labour laws and other related laws and regulations; the Administrative Department is mainly responsible for the overall statistics, relevant employee training, qualification certificates, lease filing, EIA approval and archiving and storage of environmental acceptance data; the Administrative Department is responsible for regularly assessing the status of relevant licenses, tracking the expiration date, passing the information to the person in charge, supervising its implementation, handling the planning and construction procedures of the gas station, accepting the completion of the project and saving the documents.

Gas and petroleum refuelling station business

For gas and petroleum refuelling stations, the Group's Operation Department performs a series of tests to ensure the safety and reliability of operations. In addition to "Pressure Vessel Use License", "Cylinder Filling Certificate", "Gas Business License" and other important certificates for safe operations, the Group has achieved certification to ISO9001 Quality Management System, ensuring the safety and stability of all operations in the Group based on its internal management procedures built upon the quality management system. In the meantime, the Group has formulated the "Oil Product Quality Control Measures", to implement product quality control in all stages of production, storage, transportation and sales.

The Group collects and summarises customer feedbacks in accordance with internal policies such as the "Customer Complaint Handling Management Measures", and takes initiatives to regularly survey its customers to collect opinions. In FY2020, the Group formulated the "Handling Measures on Customer's Suggestions" to enhance the efficiency of dealing with customer's complaints, standardise the problem-solving process and regulate the handling procedures for customer's complaints. The Group established teams for customer's complaint investigation and system improvement, and the customer service team of retail management department to handle customer's complaints. The Group actively performs case analysis in response to customer's complaints received, identifies obstacles in the service, optimises and improves the system and shares the experience internally to avoid the recurrence of similar incidents.

The gas refuelling business of the Group has abided by the Patent Law of the People's Republic of China, Intellectual Property Law of the People's Republic of China and Tort Law of the People's Republic of China, and based its protection of the intellectual property of the Group on the "Patent Technology Confidentiality Management Regulations". For instance, a written application to the company's technical director must be submitted in advance in order to gain the approval to borrow patent technical documents and materials. The important patents applied and owned by the Group include the Preparation Equipment and Process and Thereof of A Type of Low Propane and High Olefin Liquefied Petroleum Gas, Preparation Equipment of A Type of Low Propane and High Olefin Liquefied Petroleum Gas, Gas Station Card and Machine Management System V1.01, and Yafei Distribution ERP Management System V1.6. If relevant intellectual property rights are infringed, the Group will protect intellectual property through the legal path.

The Group also complies with the Law of the People's Republic of China on the Protection of Customer Rights and Interests and other relevant laws and regulations concerning customer privacy to ensure that its customer's privacy is strictly protected. In order to ensure the security of customer information and prevent the leakage of customer information, the Group has formulated the "Customer Information Confidentiality System" to define and manage the permission rights of customer information in the system and procedures of all units and departments in the daily management of customer information. The information collected by the Group from its customers would only be used for the purpose for which it has been collected and customers should be notified about how the information will be used. Only the electronic information of customers is stored in each station, which is mainly used for the application of VIP card. There is no paper-based customer information in the station. This approach can further ensure a high degree of confidentiality of customer's information. All personal information of customers collected in the course of business is considered confidential, and the Group strictly prohibits the provision of customer information to third-party organisations without the authorisation of its customers. The Group has appointed an external organisation to manage the database in a unified way. The Group also requires that its employees only have access to the customer information should they get the approval of the general manager.

Petroleum and natural gas transportation business

The Group believes that providing customer-oriented services with the mindset of "Safety First, Precaution Matters" is vital. To increase operation and management efficiency of the transportation business, in particular to ensure product quality and safety in the course of operations, the Group has set up internal policies such as the "General Code of Conduct on Safety", "Hot Work Safety Management Procedures" and "Work At Heights Safety Management Procedures", and implemented the following practices in the transportation business:

1. Perform road risk assessment and GPS and video real-time monitoring on the route, to ensure the transparency and safety of the transportation process and manage the driving route of vehicles and determine their specific locations;

2. Use electronic lead seals to improve oil safety and accuracy of oil volume;

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

4. Strengthen onsite safety protection during oil unloading;

5. Communicate with customers in time to avoid extreme weather events;

6. Adjust the transportation plan at any time according to changes in customer needs;

7. No overloading, no speeding, no fatigue driving; and

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

To ensure the safety of employees and products during transportation, the Group arranges three-level safety training for drivers of the transportation fleets regularly and enhance the quality of drivers through lectures plus written tests. The Group has also formulated the "Transportation Safety Management Guides for Drivers" and amended relevant manuals including "Uploading Oil Practices", "Dumping Practices" and "Repairing Practices", in order to optimise the management of safe operations of the transportation fleets.

The Group values its customers and has formulated and implemented a series of internal policies for the collection of customers' suggestions, in order to improve customer services effectively. In addition to setting up a 24-hour service call, the "General Manager Mailbox" has been added to the online platform to improve the work process and approach based on the monthly analysis. The complaints received by the Group are mainly concentrated on different interpretations of policies in the periodical activities and employees' service attitudes. The Group has established a Free Pass to achieve barrier-free communication with customers and to address the customer's most concerning issues in a timely manner. The Group has set up the "Information Management Internal Control System" to safeguard its customer's privacy.

Product and service innovation

In FY2020, the Group continued its efforts in making technological and service innovations, striving to achieve a more diversified product portfolio to improve customer satisfaction. During the current financial year, the Group launched the V20 project of ground-tank handover, which made for the automatic data extraction and information control of product purchase, sales and storage. The project changed the original process of oil intake at stations and adopted the oil and gas recovery system with the latest environmental protection requirements. In addition, the volatilisation of oil and gas was controlled and the environmental impact was lowered effectively. In terms of service upgrade, the Group adhered to a customer-oriented service concept and implemented a customer-oriented service management system during the year to continuously optimise the services of oil and gas stations, including improving the integrated service system and establishing a continual improvement management system.

In FY2020, 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

To maintain a fair, ethical and efficient working environment, the Group has strictly abided by the local laws and regulations relating to anti-corruption and bribery, including the Anti-Corruption Law of the People's Republic of China and the Law of the People's Republic of China on Anti-money Laundering.

The Group has formulated and strictly enforced its anti-corruption policies such as measures set out in the "Employee Manual", in order to root out any fraud practice. The Group prohibits all forms of bribery and corruption and requires all its employees to follow the relevant codes of professional ethics. All businesses of the Group adopt bank transfer to settle payments to ensure the transparency of the transaction process. All employees are expected to discharge their duties with integrity by adopting the following ethical practices:

Whistle-blowers can report verbally or in writing to the supervision department of Group for any suspected misconduct with full details of the incident and supporting evidence. The supervision department carries out investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group has established an effective grievance mechanism to protect whistle-blowers from unfair dismissal or victimisation. Where any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2020, no lawsuits regarding corrupt practices were brought against the Group or any of its employees. 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.

COMMUNITY

B.8. Community Investment

The Group insists on fulfilling its social responsibilities as a corporate citizen, and in accordance with the requirements of local governments for enterprises and the needs of the society, the Group strives to improve the living standards of the communities in which it operates, and makes an effort in contributing to the community education, cultural development and people's health.

In FY2020, the Group actively guided its employees to participate in charitable activities and appointed representatives to visit the elderly in Xinglongshan Nursing Home, delivering fruits and food to the elderly and having a long-time conversation with them. The Group cared about the lives of people in the community and visited the residents in need from Jichai Community, Erdao District, Changchun City by bringing rice, flour and other daily necessities to them. Since its inception, the Group has paid particular attention to the healthy growth of children and high-quality education. In FY2020, the Group donated toys for education to Yaoshi Primary School in Erdao District, Changchun City, hoping to help the youth to thrive in the community. In November 2020, under the guidance of the Changchun Sports Association and hosted by the Changchun Chess Association, the chess competition organised by the Group attracted the participation of more than 70 players from Changchun. Through the chess contest, the activity promoted national fitness and the development of local chess circle, and improved the quality of local chess enthusiasts.

Epidemic prevention and control

At the beginning of 2020, since the outbreak of pandemic, the Group has resolutely implemented the spirit of the Central Committee and the State Council's instructions on epidemic prevention and control, and led all employees to work together in the fight against the pandemic by sticking to "scientific prevention and control, targeted policies and measures". The Group established a leading task force for the epidemic prevention work timely on six aspects, namely protection, screening, elimination, isolation, evacuation and sufficient supply, and formulated policies such as the "Implementation Plan for Epidemic Prevention and Control" to fully protect the lives and health of employees and the people in the community.

During the epidemic, the Group took active measures to ensure the health and safety of employees and customers in areas of personnel control, personal protection, site control, health control, health education, dining and accommodation, attendance management, security management, emergency response and file management. For example, employees of the Group must wear masks at work, and employees at stations in direct contact with customers should wear goggles. The Group also promoted and implemented the payment via QR code, the adoption of serving of individual dishes and flexible and shift work mechanisms to effectively curb the spread of the virus.

To maintain a stable society, the logistics personnel of the Group overcame the difficulties of road and city lockdown, carrying forward the spirit of enduring hardship and making every effort to ensure the transportation and supply of oil and gas products. During the epidemic, the Group donated anti-epidemic materials equivalent of more than RMB30,000, including 18,500 masks, 8,500 disposable gloves and 198 goggles to all sectors of the society, as a support for anti-epidemic actions in various ways.

The Group will remain committed to fulfilling its social responsibilities as always, continue to play its role as an industry leader and endeavour to actively promote its harmonious coexistence with and the prosperity of its communities.

VIII. REPORT DISCLOSURE INDEX

Aspects		ESG Indicators	Description	Page
A.1.	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.	38
		KPI A1.1	The types of emissions and respective emission data.	39
		KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	39
		KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	39
		KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	39
		KPI A1.5	Description of measures to mitigate emissions and results achieved.	40
		KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	41
A.2.	Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	42
		KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	43
		KPI A2.2	Water consumption in total and intensity.	43
		KPI A2.3	Description of energy use efficiency initiatives and results achieved.	43

Aspects		ESG Indicators	Description	Page
		KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	44
		KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	42
A.3.	The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	45
		KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	45
B.1.	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.	46
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	47
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	50
B.2.	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.	52
		KPI B2.1	Number and rate of work-related fatalities.	N/A
		KPI B2.2	Lost days due to work injury.	55
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	52

Aspects		ESG Indicators	Description	Page
B.3.	Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	55
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
		KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A
B.4.	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.	57
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	57
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	57
B.5.	Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	58
		KPI B5.1	Number of suppliers by geographical region.	N/A
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	58
B.6.	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.	60
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A

Aspects		ESG Indicators	Description	Page
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	61
		KPI B6.4	Description of quality assurance process and recall procedures.	61
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B.7.	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.	64
		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.	64
		KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	64
B.8.	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.	65
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	65
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	65

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 52, 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 52, 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. Yuan Limin (原立民先生), aged 61, is an executive Director and was appointed on 27 November 2018. He is primarily responsible for financial planning and management of our Group.

Mr. Yuan has more than 30 years of valuable experience in the capital, investment and financial analysis, and handled more than 15 listing and fund raising projects in China and Hong Kong. Mr. Yuan is currently a director of United Strength Investment Limited and Sino Regent International Limited, which are subsidiaries of the Company. Mr. Yuan was appointed as executive director, deputy chairman of the Board and CEO of **China Graphene Group Limited (stock code: 0063) from November 2015 to January 2018. Mr. Yuan was also the non-executive director and chairman of Asia Fashion Holdings Limited (stock code: BQI), a company listed on the main board of the Singapore Exchange Limited, during the period from December 2013 to October 2015. Mr. Yuan was a senior business analyst with American Etech Securities Inc. from 2009 to 2012. He was the general manager of the CAD Company of the China Ministry of Aerospace from 1987 to 1998 and was an analyst with the Beijing Government's Finance office from 1982 to 1985. Mr. Yuan graduated with a Bachelor degree in Finance at the Beijing Institute of Technology, the PRC.

Mr. Ma Haidong (馬海東先生), aged 41, 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.

NON-EXECUTIVE DIRECTOR

Mr. Xu Huilin (徐輝林先生), aged 45, is a non-executive Director who joined our Group in March 2017. Mr. Xu was appointed as a Director on 16 March 2017 and was redesignated as a non-executive Director on 31 December 2020.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Su Dan (蘇丹女士), aged 40, 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 47, was appointed as an independent non-executive Director on 21 September 2017. Mr. Lau is currently an independent non-executive director of **China Wood Optimization (Holding) Limited (stock code: 1885) and **Sinco Pharmaceuticals Holdings Limited (stock code: 6833). Mr. Lau was an independent non-executive director of **Kingdom Holdings Limited (stock code: 528) and **Xiezhong International Holdings Limited (stock code: 3663) from May 2012 to October 2020. 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 58, 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 48, 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 from December 2007 to March 2017, responsible for handling the finance and company secretarial matters.

Ms. Bian Xiaodan (邊曉丹女士), aged 38, 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. Wang Zhiwei (王志偉先生), aged 54, is the general manager of Changchun Sinogas. Mr. Wang's major responsibilities in our Group include supervising and managing the operation of the refuelling stations with a particular focus in those located in Changchun City, Jilin Province. 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)), the PRC, in July 1990.

Mr. Meng Xiange (孟憲革先生), aged 53, 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 55, 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 58, 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 49, 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 44, 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 41, 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 2020.

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 on pages 137-139 of this annual report. Details of changes in the nature of the Group's principal activities during the year ended 31 December 2020 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 2020 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 91-92 of this annual report.

The Directors recommended the payment of a final dividend of HK$0.0534 per ordinary share, totaling HK$20 million in respect of the year to shareholders on the register of members on 23 June 2021. The proposed final dividend for the year ended 31 December 2020 has been approved at the Company's Board meeting on 26 March 2021 and is subject to approval by shareholders at the forthcoming general meeting of the Company. Details of the dividends for the year ended 31 December 2020 are set forth in note 24 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set forth in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity on page 96 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB685.6 million. The amount of approximately RMB685.6 million includes the Company's share premium account of approximately RMB719.5 million and accumulated losses of approximately RMB33.9 million in aggregate as at 31 December 2020, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, 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	20
Percentage of purchases attributable to the Group's five largest suppliers	53
Percentage of revenue attributable to the Group's largest customer	4
Percentage of revenue attributable to the Group's five largest customers	9

Changchun Yitonghe, a connected person of our Company, is the Group's largest customer.

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 2019 and 2020.

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

RELATED PARTY TRANSACTIONS

Other related party transactions disclosed in notes 27(a) and (b) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during 2020 and are regarded as "de minimis transactions" pursuant to the Listing Rules. In respect of such connected transactions, no matter is required to be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

DIRECTORS

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

Executive Directors

Mr. Zhao Jinmin *(Chairman & Chief Executive Officer)*
Mr. Liu Yingwu
Mr. Ma Haidong *(appointed with effect from 24 August 2020)*
Mr. Yuan Limin

Non-executive Director

Mr. Xu Huilin *(re-designated from executive Director to non-executive Director with effect from 31 December 2020)*

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 71-74 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 71-73 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 2020 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 2020 or at any time during the financial year ended 31 December 2020.

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 for a term of three years commencing on 1 April 2017, and Mr. Yuan Limin and Mr. Ma Haidong have entered into a service contract with the Company for a term of three years commencing on 27 November 2018 and 24 August 2020 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 for a term of three years. 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 for a term of three years. The Company has issued an appointment letter to 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 2020 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 CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, 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 2020, 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 2020 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	40,931,400	10.93%
Dynamic Fame Global Limited *(Note 3)*	Beneficial owner and Interest of Controlled Corporation	40,931,400	10.93%
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) 26,381,400 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 2020, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

The Share Option Scheme will expire on 20 September 2027. No options have been granted under the Share Option Scheme as at 31 December 2020, 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 2020.

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 2020, 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 2020, 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 2020.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

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

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

(ii) on normal commercial terms or better; and

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

Details of the above-mentioned continuing connected transactions and the actual amount incurred for the year ended 31 December 2020 or as at 31 December 2020 are summarized as follows:

	From 1 January 2020/ the effective date to 31 December 2020 RMB million
The Cooperation Agreement	
Rent in respect of the gas transportation vehicles (Annual cap: RMB3.15 million)	0.28
Rent in respect of the office premises (Annual cap: RMB1.22 million)	1.22
Oil refuelling fee in respect of the oil refuelling service (Annual cap: RMB15 million)	10.57
The cooperation agreement for 3 years by Changchun Yitonghe to Jieli Logistics in consideration for the payment of rent and oil refuelling fee. The agreement was entered on 19 January 2018. Details of the transactions are set out in the section headed "THE COOPERATION ARRANGEMENT" of the announcement dated 19 January 2018. The Company revised the annual cap of oil refuelling fee to RMB15,000,000 during 2019. For details, please refer to the announcements of the Company dated 28 August and 5 September 2019.	
Provision of Petroleum Transportation Service (Annual cap: RMB56.25 million)	
Provision of petroleum 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 19 January 2018. Details of the transactions are set out in the section headed "THE PROVISION OF PETROLEUM TRANSPORTATION SERVICE" of the announcement dated 19 January 2018 and the circular dated 14 February 2018.	34.92
The Management Agreement (Annual Cap: RMB4 million)	
Provision of the management of petroleum transportation vehicles for 3 years by Jieli Logistics to Changchun Yitonghe in consideration for the management fee. The agreement was entered on 19 January 2018. Details of the transactions are set out in the section headed "THE MANAGEMENT OF PETROLEUM TRANSPORTATION VEHICLES" of the announcement dated 19 January 2018.	2

	From 1 January 2020/ the effective date to 31 December 2020 RMB million
Petroleum Supply Agreement (Annual cap: RMB1,200 million)	
The petroleum supply agreement for 3 years entered into between WFOE and Songyuan Petrochemical, pursuant to which Songyuan Petrochemical will supply petroleum to the WFOE Group. The agreement was entered on 26 June 2020. Details of the transactions are set out in the section headed "Non-Exempt Continuing Connected Transactions" of the announcement dated 19 September 2019 and the circular dated 30 June 2020.	83.89
Supply of Refined Oil Products by the Group to United Strength Vehicle Service (Annual cap: RMB17 million)	
The agreement entered into between WFOE and United Strength Vehicle Service, pursuant to which United Strength Vehicle Service will procure refined oil products from the WFOE Group. The agreement was entered on 26 June 2020. Details of the transactions are set out in the section headed "Non-Exempt Continuing Connected Transactions" of the announcement dated 19 September 2019 and the circular dated 30 June 2020.	6.63

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2020. 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

26 March 2021

Independent Auditor's Report

KPMG

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

OPINION

We have audited the consolidated financial statements of United Strength Power Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 173, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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(j)(ii).

The Key Audit Matter	How the matter was addressed in our audit
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.	Our audit procedures to assess the potential impairment of property, plant and equipment included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to impairment assessment of the potential impairment of property, plant and equipment; • assessing management's methodology adopted in identification of indicators of potential impairment of property, plant and equipment, identification of the CGUs and the allocation of assets to each CGU with reference to our understanding of the Group's refuelling station 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;

KEY AUDIT MATTERS (continued)

Assessment of the potential impairment of property, plant and equipment (continued)

Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(j)(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 station 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 up to the date of this report, 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; – comparing the actual results for the current year and the latest available financial information up to the date of this report with management's estimates in their discounted cash flow forecasts prepared in the previous years to assess the historical accuracy of the management's forecasting process;

KEY AUDIT MATTERS (continued)

Assessment of the potential impairment of property, plant and equipment (continued) *Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2(j)(ii).*	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessment of the potential impairment of the 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.	– engaging our internal valuation specialists, when applicable, to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range of those adopted by other companies in the same industry; – performing sensitivity analyses of the key assumptions adopted by management, including forecast selling prices, purchase prices and sales volume of refined oil, CNG, LPG and LNG, forecast expenses and the discount applicable rates, to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; and – assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of property, plant and equipment with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

Independent Auditor's Report (continued)

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

- 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.

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

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

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

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

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

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

26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020 *(Expressed in Renminbi ("RMB"))*

	Note	**2020 RMB'000**	2019 RMB'000 Restated *(Note 28)*
Revenue	*4*	**3,481,322**	3,953,293
Cost of sales		**(3,011,037)**	(3,453,348)
Gross profit	*4(b)*	**470,285**	499,945
Other income	*5*	**5,975**	9,946
Staff costs	*6(b)*	**(136,075)**	(147,827)
Depreciation expenses	*6(c)*	**(73,403)**	(69,939)
Impairment gain/(loss) on trade receivables	*25(a)*	**1,919**	(880)
Other operating expenses		**(60,799)**	(62,150)
Profit from operations		**207,902**	229,095
Share of profits of a joint venture	*14*	**2,285**	1,023
Finance costs	*6(a)*	**(26,854)**	(22,517)
Costs incurred in connection with the acquisitions of businesses	*28(b)*	**(12,519)**	(16,067)
Profit before taxation	*6*	**170,814**	191,534
Income tax	*7*	**(46,451)**	(53,097)
Profit for the year		**124,363**	138,437
Attributable to:			
Equity shareholders of the Company		**123,283**	135,645
Non-controlling interests		**1,080**	2,792
Profit for the year		**124,363**	138,437
Earnings per share			
– Basic and diluted (RMB)	*10*	**0.35**	0.41

The notes on pages 99 to 173 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 24(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 *(Expressed in RMB)*

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Profit for the year	**124,363**	138,437
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**(6,997)**	934
Total comprehensive income for the year	**117,366**	139,371
Attributable to:		
Equity shareholders of the Company	**116,209**	136,579
Non-controlling interests	**1,157**	2,792
Total comprehensive income for the year	**117,366**	139,371

The notes on pages 99 to 173 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020 *(Expressed in RMB)*

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000 Restated *(Note 28)*
Non-current assets			
Property, plant and equipment	*11*	**637,847**	522,239
Investment properties	*12*	**2,199**	2,366
Interest in a joint venture	*14*	**75,028**	77,556
Deferred tax assets	*23(b)*	**7,793**	5,292
		722,867	607,453
Current assets			
Inventories	*15*	**111,976**	103,679
Trade and bills receivables	*16*	**39,248**	42,893
Prepayments, deposits and other receivables	*17*	**256,959**	215,799
Income tax recoverable	*23(a)*	**3,468**	524
Cash at bank and on hand	*18*	**138,617**	85,689
		550,268	448,584
Current liabilities			
Bank and other loans	*19(a)*	**192,978**	101,400
Trade and bills payables	*20*	**90,139**	75,822
Accrued expenses and other payables	*21*	**258,484**	429,710
Lease liabilities	*22*	**50,711**	36,889
Income tax payable	*23(a)*	**28,763**	11,848
		621,075	655,669
Net current liabilities		**(70,807)**	(207,085)
Total assets less current liabilities		**652,060**	400,368
Non-current liabilities			
Bank and other loans	*19(b)*	**49,078**	62,925
Lease liabilities	*22*	**311,521**	59,060
Deferred tax liabilities	*23(b)*	**6,352**	6,457
		366,951	128,442
NET ASSETS		**285,109**	271,926

The notes on pages 99 to 173 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2020 *(Expressed in RMB)*

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000 Restated *(Note 28)*
CAPITAL AND RESERVES	*24*		
Share capital		**32,293**	19,794
Reserves		**221,312**	221,511
Total equity attributable to equity shareholders of the Company		**253,605**	241,305
Non-controlling interests		**31,504**	30,621
TOTAL EQUITY		**285,109**	271,926

Approved and authorised for issue by the board of directors on 26 March 2021.

Zhao Jinmin
Chairman

Liu Yingwu
Director

The notes on pages 99 to 173 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 *(Expressed in RMB)*

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 24(c))*	Share premium RMB'000 *(Note 24(d)(i))*	Other reserve RMB'000 *(Note 24(d)(ii))*	Statutory reserve RMB'000 *(Note 24(d)(iii))*	Exchange reserve RMB'000 *(Note 24(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019 (as previously reported)	19,794	120,037	(19,967)	3,825	6,789	118,342	248,820	6,648	255,468
Adjustments in connection with the Acquisition *(as defined in Note 2(b))*	–	–	4,531	3,411	47	(25,918)	(17,929)	22,158	4,229
Balance at 1 January 2019 *(as restated – Note 28)*	19,794	120,037	(15,436)	7,236	6,836	92,424	230,891	28,806	259,697
Changes in equity for 2019:									
Profit for the year *(as restated – Note 28)*	–	–	–	–	–	135,645	135,645	2,792	138,437
Other comprehensive income for the year *(as restated – Note 28)*	–	–	–	–	934	–	934	–	934
Total comprehensive income *(as restated – Note 28)*	–	–	–	–	934	135,645	136,579	2,792	139,371
Issuance of shares by Eternal Global *(as defined in Note 2(b))*	–	–	69	–	–	–	69	–	69
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	(17,465)	–	–	–	–	(17,465)	–	(17,465)
Distributions paid by a subsidiary to non-controlling equity owners	–	–	–	–	–	–	–	(286)	(286)
Effect on equity arising from acquisitions of the subsidiaries of the Group *(as restated Note – 28)*	–	–	(12,449)	–	–	–	(12,449)	(691)	(13,140)
Appropriation to reserves	–	–	–	1,699	–	(1,699)	–	–	–
Deemed distribution of the results of the Entrusted Petroleum Refuelling Stations and Storage Facilities prior to the completion of the Acquisition *(as defined in Note 2(b))*	–	–	–	–	–	(96,320)	(96,320)	–	(96,320)
	–	(17,465)	(12,380)	1,699	–	(98,019)	(126,165)	(977)	(127,142)
Balance at 31 December 2019 *(as restated – Note 28)*	19,794	102,572	(27,816)	8,935	7,770	130,050	241,305	30,621	271,926

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020 *(Expressed in RMB)*

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(Note 24(c))*	Share premium RMB'000 *(Note 24(d)(i))*	Other reserve RMB'000 *(Note 24(d)(ii))*	Statutory reserve RMB'000 *(Note 24(d)(iii))*	Exchange reserve RMB'000 *(Note 24(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020 (as previously reported)	19,794	102,572	(19,967)	5,524	8,141	152,285	268,349	6,413	274,762
Adjustments in connection with the Acquisition *(as defined in Note 2(b))*	–	–	(7,849)	3,411	(371)	(22,235)	(27,044)	24,208	(2,836)
Balance at 1 January 2020	19,794	102,572	(27,816)	8,935	7,770	130,050	241,305	30,621	271,926
Changes in equity for 2020:									
Profit for the year	–	–	–	–	–	123,283	123,283	1,080	124,363
Other comprehensive income for the year	–	–	–	–	(7,074)	–	(7,074)	77	(6,997)
Total comprehensive income	–	–	–	–	(7,074)	123,283	116,209	1,157	117,366
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	(17,855)	–	–	–	–	(17,855)	–	(17,855)
Distributions paid by a subsidiary to non-controlling equity owners	–	–	–	–	–	–	–	(274)	(274)
Deemed distribution of the results of the Entrusted Petroleum Refuelling Stations and Storage Facilities prior to the completion of the Acquisition *(as defined in Note 2(b))*	–	–	–	–	–	(61,037)	(61,037)	–	(61,037)
Issuance of shares in connection with the Acquisition and deemed distribution of the assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities upon the completion of the Acquisition *(Notes 24(c)(i) and 28(b))*	8,928	464,251	(672,290)	–	–	–	(199,111)	–	(199,111)
Issuance of shares by placing *(Note 24(c)(ii))*	3,571	170,523	–	–	–	–	174,094	–	174,094
Appropriation to reserves	–	–		2,766	–	(2,766)	–	–	–
	12,499	616,919	(672,290)	2,766	–	(63,803)	(103,909)	(274)	(104,183)
Balance at 31 December 2020	32,293	719,491	(700,106)	11,701	696	189,530	253,605	31,504	285,109

Consolidated Cash Flow Statement

For the year ended 31 December 2020 *(Expressed in RMB)*

	Note	**2020 RMB'000**	2019 RMB'000 Restated *(Note 28)*
Operating activities			
Profit before taxation		**170,814**	191,534
Adjustments for:			
Depreciation expenses	*6(c)*	**73,403**	69,939
Net loss/(gain) on disposal of property, plant and equipment	*5*	**102**	(2,581)
Net gain on disposal of a subsidiary	*5*	**–**	(944)
Finance costs	*6(a)*	**26,854**	22,517
Interest income	*5*	**(439)**	(994)
Share of profits of a joint venture		**(2,285)**	(1,023)
Changes in working capital:			
(Increase)/decrease in inventories		**(8,297)**	64,845
Decrease/(increase) in trade and bills receivables		**3,645**	(6,025)
Increase in prepayments, deposits and other receivables		**(41,160)**	(31,646)
Increase in trade and bills payables		**14,317**	9,901
(Decrease)/increase in accrued expenses and other payables		**(19,458)**	48,462
Cash generated from operations		**217,496**	363,985
Income tax paid	*23(a)*	**(35,090)**	(48,938)
Net cash generated from operating activities		**182,406**	315,047
Investing activities			
Payments for purchase of property, plant and equipment		**(43,606)**	(80,874)
Proceeds from disposal of property, plant and equipment		**851**	2,388
Payments for acquisition of a joint venture		**–**	(71,617)
Disposal of a subsidiary, net of cash disposed of		**–**	(784)
Interest received		**439**	994
Net cash used in investing activities		**(42,316)**	(149,893)

The notes on pages 99 to 173 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2020 *(Expressed in RMB)*

	Note	**2020 RMB'000**	2019 RMB'000 Restated *(Note 28)*
Financing activities			
Proceeds from bank and other loans	*18(b)*	**220,910**	112,845
Repayment of bank and other loans	*18(b)*	**(143,179)**	(112,320)
Proceeds from placing of new shares, net of share issuance expenses	*24(c)(ii)*	**174,094**	–
Payments for the Acquisition under common control	*28*	**(133,919)**	–
Capital element of lease rentals paid	*18(b)*	**(10,013)**	(23,077)
Interest element of lease rentals paid	*18(b)*	**(4,409)**	(7,764)
Dividends paid to equity shareholders of the Company	*18(b)*	**(17,855)**	(17,465)
Distributions paid to non-controlling equity owners of a subsidiary	*18(b)*	**(274)**	(286)
Payments for acquisitions of the PRC subsidiaries of the Group		**–**	(13,140)
Net decrease in the amounts due to related parties	*18(b)*	**(155,591)**	(180,612)
(Increase)/decrease in pledged bank deposits		**(7,000)**	10,000
Interest paid	*18(b)*	**(14,202)**	(14,753)
Net cash used in financing activities		**(91,438)**	(246,572)
Net increase/(decrease) in cash and cash equivalents		**48,652**	(81,418)
Cash and cash equivalents at 1 January	*18(a)*	**65,689**	146,703
Effect of foreign exchange rate changes		**(2,724)**	404
Cash and cash equivalents at 31 December	*18(a)*	**111,617**	65,689

The notes on pages 99 to 173 form part of these financial statements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

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

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

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

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

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

On 24 August 2020 (the "Completion Date"), the Company acquired the petroleum refuelling business, comprising the operation of petroleum stations and storage facilities and the provision of transportation of petroleum services (collectively referred to as the "Petroleum Refuelling Business"), through the acquisition of the entire issued share capital of Eternal Global Investment Limited ("Eternal Global") (the "Acquisition"). On Completion Date and as part of the Acquisition, entrusted agreements (the "Entrusted Management Agreement") were also entered into between Changchun United Strength Power Company Limited ("New United Strength"), a wholly owned subsidiary of Eternal Global, and Changchun Yitonghe Petroleum Distribution Company Limited ("Changchun Yitonghe"), a company controlled by Mr Zhao Jinmin and not part of the Acquisition, pursuant to which Changchun Yitonghe as the entrusting party entrusted New United Strength as the operating party with an exclusive right to use all the assets, property, land and equipment necessary for the operation and management of the petroleum refuelling stations and petroleum storage facilities owned by Changchun Yitonghe (the "Entrusted Petroleum Refuelling Stations and Storage Facilities"). The entrustment fee under the Entrusted Management Agreement is RMB50,000,000 per annum for a period of ten years. The Entrusted Management Agreement and related entrustment fees will be accounted for as leases in accordance to the accounting policies set out in Note 2(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The number of refuelling stations and storage facilities of the Group as at 31 December 2020 was as follows:

	Owned by the Group			Operated by the Group under the Entrusted Management Agreement		
	Gas refuelling stations	Petroleum refuelling stations	Petroleum storage facilities	Gas refuelling stations	Petroleum refuelling stations	Petroleum storage facilities
At 31 December 2020	25	31	2	5	39	1
At 31 December 2019	24	29	2	5	39	1

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

(c) Changes in accounting policies

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

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)).

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination under common control

Business combinations arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the comparative period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's perspective. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognised directly in equity.

(f) Joint venture

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

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

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

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

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property

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

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

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

(h) Property, plant and equipment

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

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

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

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

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets

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

(i) As a lessee

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

(ii) As a lessor

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

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

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

(j) Credit losses and impairment of assets

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

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

- financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables);
- contract assets; and
- lease receivables.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Significant increases in credit risk

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

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

– failure to make payments on their contractually due dates;

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

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

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

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Impairment of non-current assets

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

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

– investment properties; and

– investment in a subsidiary in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

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

(ii) Other contract costs

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contract assets and contract liabilities

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

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

(m) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Interest-bearing borrowings

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

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

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

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

(ii) Termination benefits

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

(r) Income tax

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

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

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

  – the same taxable entity; or

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

(s) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue and other income

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

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

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

(i) Sale of goods

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

(ii) Render of services

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

(iii) Rental income from operating leases

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

(iv) Interest income

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

(v) Government grants

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Translation of foreign currencies

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

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

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

(v) Borrowing costs

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

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

(b) Depreciation

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

(c) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

(d) Determining the lease term

As explained in policy Note 2(i), 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.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

Disaggregation of revenue

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Disaggregated by major products or service lines:		
– Sales of refined oil and natural gas	**3,429,882**	3,888,622
– Revenue from the provision of transportation services	**44,063**	53,534
– Revenue from the trading of liquefied petroleum gas ("LPG"), liquefied natural gas ("LNG") and related chemical products	**7,377**	11,137
	3,481,322	3,953,293

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 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 2020 (2019: Nil (as restated)). Details of the Group's concentrations of credit risk are set out in Note 25(a).

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

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

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

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

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

(i) Segment results

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

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

The measure used for reporting segment is gross profit. The Group's other income, staff costs, depreciation expenses, impairment gain/(loss) on trade receivables, other operating expenses, share of profits of a joint venture and costs incurred in connection with the acquisitions of businesses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

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

	2020			
	Sale of refined oil RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition:				
– Point in time	3,227,209	210,050	–	3,437,259
– Over time	–	–	44,063	44,063
Revenue from external customers	3,227,209	210,050	44,063	3,481,322
Inter-segment revenue	17,120	978	43,835	61,933
Reportable segment revenue	3,244,329	211,028	87,898	3,543,255
Reportable segment gross profit	336,388	76,306	57,591	470,285

	2019 (restated – Note 28)			
	Sale of refined oil RMB'000	Sale of natural gas RMB'000	Provision of transportation services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition:				
– Point in time	3,571,537	328,222	–	3,899,759
– Over time	–	–	53,534	53,534
Revenue from external customers	3,571,537	328,222	53,534	3,953,293
Inter-segment revenue	17,593	2,636	60,351	80,580
Reportable segment revenue	3,589,130	330,858	113,885	4,033,873
Reportable segment gross profit	309,295	114,373	76,277	499,945

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Revenue		
Reportable segment revenue	**3,543,255**	4,033,873
Elimination of inter-segment revenue	**(61,933)**	(80,580)
Consolidated revenue *(Note 4(a))*	**3,481,322**	3,953,293
Profit		
Reportable segment gross profit	**470,285**	499,945
Other income	**5,975**	9,946
Staff costs	**(136,075)**	(147,827)
Depreciation expenses	**(73,403)**	(69,939)
Impairment gain/(loss) on trade receivables	**1,919**	(880)
Other operating expenses	**(60,799)**	(62,150)
Share of profits of a joint venture	**2,285**	1,023
Finance costs	**(26,854)**	(22,517)
Costs incurred in connection with the acquisitions of businesses	**(12,519)**	(16,067)
Consolidated profit before taxation	**170,814**	191,534

(iii) Geographic information

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

5 OTHER INCOME

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Rental income from operating leases	**2,992**	3,292
Interest income	**439**	994
Net gain on disposal of a subsidiary	**–**	944
Net (loss)/gain on disposal of property, plant and equipment	**(102)**	2,581
Net foreign exchange losses	**(217)**	(330)
Others	**2,863**	2,465
	5,975	9,946

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Interest expenses on:		
– bank and other loans	**14,202**	14,753
– lease liabilities *(Note 11(b)(ii))*	**12,652**	7,764
	26,854	22,517

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

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Salaries, wages and other benefits	**130,729**	133,178
Contributions to defined contribution retirement plans	**5,346**	14,649
	136,075	147,827

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

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

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Depreciation expenses:		
– owned property, plant and equipment *(Note 11)*	36,549	37,714
– right-of-use assets *(Note 11)*	36,687	32,092
– investment properties *(Note 12)*	167	133
Operating lease charges relating to short-term leases and leases of low-value-assets *(Note 11(b)(ii))*	252	326
Auditors' remuneration – audit services	6,200	3,000
Cost of inventories *(Note 15(b))*	2,993,538	3,430,932

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Current taxation *(Note 23(a))*		
Provision for the year	49,061	55,068
Deferred taxation *(Note 23(b))*		
Origination and reversal of temporary differences	(2,610)	(321)
Effect resulting from a change in applicable withholding tax rate	–	(1,650)
	(2,610)	(1,971)
	46,451	53,097

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Profit before taxation	**170,814**	191,534
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**45,244**	50,326
Tax effect of non-deductible expenses	**4,376**	5,281
Tax concessions *(Note (iv))*	**(2,655)**	(3,223)
Tax effect of share of profits of a joint venture	**(377)**	(169)
Tax effect of unused tax losses and temporary differences not recognised	**(2,137)**	782
Effect resulting from a change in applicable withholding tax rate	**–**	(1,650)
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary *(Note (v))*	**2,000**	1,750
Actual tax expense	**46,451**	53,097

Notes:

(i) The Company, a subsidiary of the Group incorporated in the British Virgin Islands and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%). One of the Group's subsidiaries incorporated in Hong Kong is eligible for the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 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% during the year ended 31 December 2020 (2019: 25%).

(iv) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2020 (2019: 15%). Such approval for preferential PRC Corporate Income Tax rate of 15% was extended to 2030 during the year ended 31 December 2020.

(v) At 31 December 2020, one of the subsidiaries of the Group established in the PRC intended to distribute RMB40,000,000 (2019: RMB35,000,000 (as restated)) to its immediate holding company in Hong Kong. Accordingly, a deferred tax liability of RMB2,000,000 (Note 23(b)) calculated at the applicable withholding tax rate has been recognised at 31 December 2020 (2019: RMB1,750,000 (as restated)).

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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:

	2020				
	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	–	107	–	–	107
Mr Liu Yingwu	–	–*	–	–	–
Mr Yuan Limin	–	1,066	89	16	1,171
Mr Ma Haidong (appointed on 24 August 2020)	–	146	–	11	157
Non-executive director					
Mr Xu Huilin (re-designated from executive director to non-executive director on 31 December 2020)	–	1,600	133	29	1,762
Independent non-executive directors					
Ms Su Dan	267	–	–	–	267
Mr Lau Ying Kit	267	–	–	–	267
Mr Zhang Zhifeng	267	–	–	–	267
	801	2,919	222	56	3,998

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (continued)

	2019				
	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	–	–*	–	–	–
Mr Liu Yingwu	–	–*	–	–	–
Mr Xu Huilin	–	1,584	132	42	1,758
Mr Yuan Limin	–	506	22	3	531
Independent non-executive directors					
Ms Su Dan	264	–	–	–	264
Mr Lau Ying Kit	264	–	–	–	264
Mr Zhang Zhifeng	264	–	–	–	264
	792	2,090	154	45	3,081

* *The salaries, allowances and benefits in-kind are less than RMB1,000 in the respective years.*

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2019: three) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, discretionary bonuses and other emoluments	**2,109**	2,043
Retirement scheme contributions	**32**	32
	2,141	2,075

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 band:

	2020 Number of individuals	2019 Number of individuals
HK$Nil – HK$1,000,000	**3**	3

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

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

(iii) 40,000,000 shares placed at the issue price of HK$5.00 per share ("Placing Shares") (see Note 24(c)(ii)).

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

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

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

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

	2020 '000	2019 '000 Restated *(Note 28)*
Issued ordinary shares at 1 January	**234,502**	234,502
Effect of issuance of shares upon the completion of the Acquisition *(see Note 24(c)(i))*	**100,000**	100,000
Effect of issuance of the Placing Shares *(Note 24(c)(ii))*	**14,208**	–
	348,710	334,502

(b) Diluted earnings per share

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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 2019 *(as restated – Note 28)*	118,741	178,098	174,458	6,257	411,196	888,750
Additions *(as restated – Note 28)*	6,173	12,386	10,241	38,999	22,891	90,690
Transfer in/(out) *(as restated – Note 28)*	7,805	9,232	–	(18,434)	–	(1,397)
Disposal of a subsidiary *(as restated – Note 28)*	(2,093)	(1,955)	(33)	–	(6,723)	(10,804)
Disposals *(as restated – Note 28)*	(1,113)	(2,584)	(9,213)	–	(41,992)	(54,902)
At 31 December 2019 *(as restated - Note 28)*	129,513	195,177	175,453	26,822	385,372	912,337
Accumulated depreciation and impairment losses:						
At 1 January 2019 *(as restated – Note 28)*	48,812	95,108	106,471	–	99,664	350,055
Charge for the year *(as restated – Note 28)*	5,636	14,105	17,973	–	32,092	69,806
Transfer out *(as restated – Note 28)*	(517)	–	–	–	–	(517)
Written back on disposal of a subsidiary *(as restated – Note 28)*	(727)	(1,602)	(32)	–	–	(2,361)
Written back on disposals *(as restated – Note 28)*	(1,030)	(1,372)	(8,361)	–	(16,122)	(26,885)
At 31 December 2019 *(as restated – Note 28)*	52,174	106,239	116,051	–	115,634	390,098
Carrying amount:						
At 31 December 2019 *(as restated – Note 28)*	77,339	88,938	59,402	26,822	269,738	522,239
Cost:						
At 1 January 2020	**129,513**	**195,177**	**175,453**	**26,822**	**385,372**	**912,337**
Additions	**–**	**6,406**	**17,669**	**12,939**	**313,211**	**350,225**
Transfer in/(out)	**1,968**	**1,509**	**2,378**	**(29,625)**	**23,770**	**–**
Derecognition of assets of the Entrusted Petroleum Refuelling Stations and Storage Facilities *(Note 28 (b))*	**(43,956)**	**(77,637)**	**(64,694)**	**(7,660)**	**(168,381)**	**(362,328)**
Disposals	**–**	**(3,172)**	**(11,406)**	**–**	**(12,653)**	**(27,231)**
At 31 December 2020	**87,525**	**122,283**	**119,400**	**2,476**	**541,319**	**873,003**
Accumulated depreciation and impairment losses:						
At 1 January 2020	**52,174**	**106,239**	**116,051**	**–**	**115,634**	**390,098**
Charge for the year	**3,887**	**13,593**	**19,069**	**–**	**36,687**	**73,236**
Written back on the derecognition of the assets of Entrusted Petroleum Refuelling Stations and Storage Facilities *(Note 28 (b))*	**(25,145)**	**(45,996)**	**(51,324)**	**–**	**(84,371)**	**(206,836)**
Written back on disposals	**–**	**(2,852)**	**(10,644)**	**–**	**(7,846)**	**(21,342)**
At 31 December 2020	**30,916**	**70,984**	**73,152**	**–**	**60,104**	**235,156**
Carrying amount:						
At 31 December 2020	**56,609**	**51,299**	**46,248**	**2,476**	**481,215**	**637,847**

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts (continued)

At 31 December 2020, property certificates of certain properties with carrying amounts of RMB1,373,000 (2019: RMB1,406,000 (as restated)) 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 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Land use rights *(Note 11(b)(iii))*	**128,984**	171,083
Buildings and properties *(Note 11(b)(iv))*	**803**	6,450
Refuelling equipment, storage facilities and related equipment *(Note 11(b)(iv))*	**350,163**	92,205
Motor vehicles and other equipment *(Note 11(b)(iv))*	**1,265**	–
	481,215	269,738

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Depreciation charge of right-of-use assets by class of underlying asset *(Note 6(c))*:		
– Land use rights	**4,133**	5,506
– Buildings and properties	**4,407**	4,452
– Refuelling equipment, storage facilities and related equipment	**27,935**	22,134
– Motor vehicles and other equipment	**212**	–
	36,687	32,092
Interest expenses on lease liabilities *(Note 6(a))*	**12,652**	7,764
Operating lease charges relating to short-term leases and leases of low-value assets *(Note 6(c))*	**252**	326

(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 5 to 10 years, and some of them include an option to renew when all terms are renegotiated. None of the leases includes variable lease payments.

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(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 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Buildings and properties	**3,906**	4,306
Motor vehicles and other equipment	**461**	22
	4,367	4,328

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

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Within 1 year	**1,859**	1,687
After 1 year but within 5 years	**4,019**	4,694
After 5 years	**4,205**	3,973
	10,083	10,354

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

12 INVESTMENT PROPERTIES

	RMB'000
Cost:	
At 1 January 2019 *(as restated – Note 28)*	3,443
Transfer from property, plant and equipment (Note 11) *(as restated – Note 28)*	1,397
At 31 December 2019 *(as restated – Note 28)*	4,840
Accumulated amortisation:	
At 1 January 2019 *(as restated – Note 28)*	1,824
Transfer from property, plant and equipment (Note 11) *(as restated – Note 28)*	517
Charge for the year *(as restated – Note 28)*	133
At 31 December 2019 *(as restated – Note 28)*	2,474
Carrying amount:	
At 31 December 2019 *(as restated – Note 28)*	2,366
Cost:	
At 1 January 2020	4,840
Accumulated amortisation:	
At 1 January 2020	2,474
Charge for the year	167
At 31 December 2020	2,641
Carrying amount:	
At 31 December 2020	2,199

All of the investment properties are located in the PRC.

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Within 1 year	**100**	378
After 1 year but within 5 years	**288**	264
After 5 years	**288**	330
	676	972

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Longjing United Strength Energy Development Company Limited (龍井眾誠能源發展有限公司) *(Note (i))*	The PRC 16 July 2007	RMB20,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Yanbian United Strength Energy Technology Development Company Limited ("Yanbian United Strength") (延邊眾誠能源技術開發有限公司) *(Note (i))*	The PRC 14 July 2008	RMB500,000	60%	–	60%	Development of energy technology
Baishan United Strength Taixing Power Company Limited (白山眾誠泰興能源有限公司) *(Note (i))*	The PRC 26 May 2010	RMB500,000	100%	–	100%	Sale of refined oil by operating refuelling stations
Dandong United Strength Vessel Petroleum Company Limited ("Dandong Vessel") (丹東眾誠船舶燃油有限公司) *(Note (i))*	The PRC 8 June 2010	RMB15,000,000	55%	–	55%	Sale of refined oil by operating refuelling stations
Liaoyuan City Hengtai Clean Energy Company Limited (遼源市恒泰清潔能源有限公司) *(Note (i))*	The PRC 12 August 2010	RMB5,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Jilin Province Haotuo Petroleum Development and Usage Company Limited (吉林省昊拓石油開發利用有限公司) *(Note (i))*	The PRC 1 December 2010	RMB5,000,000	100%	–	100%	Sale of refined oil by operating refuelling stations
Wuchang United Strength Chengxi Petroleum Company Limited (五常眾誠城西石油有限公司) *(Note (i))*	The PRC 28 July 2011	RMB500,000	100%	–	100%	Sale of refined oil by operating refuelling stations
Meihekou City Yujia Petrochemical Company Limited (梅河口市譽嘉石化有限公司) *(Note (i))*	The PRC 27 December 2011	RMB10,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Yanbian Xinyuan Natural Gas Sales Company Limited (延邊鑫源天然氣銷售有限公司) *(Note (i))*	The PRC 29 May 2013	RMB5,000,000	100%	–	100%	Sale of natural gas to vehicular end-users by operating refuelling stations
Shenyang Xinxin Transportation Company Limited ("Shenyang Xinxin") (瀋陽欣鑫運輸有限公司) *(Note (i))*	The PRC 12 June 2014	RMB2,000,000	100%	–	100%	Provision of transportation services

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

			Percentage of ownership interest			
Name of company	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Yanbian Jieli Logistics Company Limited (延邊捷利物流有限公司) *(Note (i))*	The PRC 13 April 2018	RMB50,000,000	100%	–	100%	Provision of transportation services
Sino Regent International Limited ("Sino Regent") *(Note (iii))*	Hong Kong 18 September 2018	1 share	51%	–	100%	Investment holding
New United Strength (長春眾誠能源有限公司) *(Note (ii))*	The PRC 6 November 2018	RMB10,000,000	100%	–	100%	Investment holding
Eternal Global *(Note (iii))*	The British Virgin Islands 8 November 2018	USD10,000	100%	100%	–	Investment holding

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 PRC.

(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 PRC.

(iii) These companies are limited liability companies incorporated outside of the PRC.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
NCI percentage:		
– Sino Regent	**49%**	49%
– Liaoning Oilfield	**45%**	45%
– Dandong Kuandian	**45%**	45%
Non-current assets	**74,041**	79,439
Current assets	**236,332**	237,817
Current liabilities	**204,560**	242,726
Non-current liabilities	**62,001**	32,985
Net assets	**43,812**	41,545
Net assets attributable to NCI	**19,565**	18,599
Revenue	**1,585,472**	1,192,085
Profit and total comprehensive income for the year	**1,723**	4,315
Profit and total comprehensive income attributable to NCI	**715**	1,878

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

14 INTEREST IN A JOINT VENTURE

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

			Proportion of ownership interest			
Name of joint venture	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, former name as 港中旅國際融資租賃有限公司) *	The PRC	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 2020 RMB'000	At 31 December 2019 RMB'000
Gross amounts of CTS Financial Leasing's		
Non-current assets	**256,561**	283,019
Current assets	**255,063**	359,152
Current liabilities	**(98,216)**	(220,700)
Non-current liabilities	**(163,315)**	(162,951)
Equity	**250,093**	258,520
Included in the above assets and liabilities:		
Cash and cash equivalents	**62,428**	70,813
Bank and other loans		
– Current	**–**	113,250
– Non-current	**144,895**	146,791

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

14 INTEREST IN A JOINT VENTURE (continued)

	2020 RMB'000	From 31 January 2019 (date of acquisition) to 31 December 2019 RMB'000
Revenue	**37,640**	34,801
Net profit	**7,617**	3,410

	2020 RMB'000	From 31 January 2019 (date of acquisition) to 31 December 2019 RMB'000
Carrying amount of interest in a joint venture		
At 1 January/31 January (date of acquisition)	**77,556**	75,123
Share of profits of the joint venture	**2,285**	1,023
Effect of exchange differences	**(4,813)**	1,410
At 31 December	**75,028**	77,556

15 INVENTORIES

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Refined oil	**108,232**	99,372
Gases	**831**	750
Spare parts	**2,913**	3,557
	111,976	103,679

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

15 INVENTORIES (continued)

(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:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Carrying amount of inventories sold	**2,993,538**	3,430,932

16 TRADE AND BILLS RECEIVABLES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Trade receivables, net of loss allowance, due from:		
– related parties	**270**	952
– third parties	**26,408**	41,941
	26,678	42,893
Bills receivables	**12,570**	–
	39,248	42,893

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

16 TRADE AND BILLS RECEIVABLES (continued)

(a) Ageing analysis

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Within 1 month	14,209	25,911
1 to 3 months	10,190	7,485
3 to 6 months	4,299	9,497
Over 6 months	10,550	–
	39,248	42,893

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

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Prepayments for purchase of inventories and services from:		
– related parties	15,593	1,208
– third parties	211,807	90,469
	227,400	91,677
Deposits to suppliers	5,638	113,824
Advances to staff	1,361	1,656
VAT recoverable	18,169	7,091
Others	4,391	1,551
	256,959	215,799

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

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

(a) Cash at bank and on hand comprise:

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Cash at bank and on hand	**111,617**	65,689
Pledged and restricted bank deposits *(Note (i))*	**27,000**	20,000
Cash at bank and on hand in the consolidated statement of financial position	**138,617**	85,689
Less: pledged and restricted bank deposits	**(27,000)**	(20,000)
Cash and cash equivalents in the consolidated cash flow statement	**111,617**	65,689

Notes:

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

(b) Reconciliation of liabilities arising from financing activities

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

	Bank and other loans RMB'000 *(Note 19)*	Interest payable RMB'000 *(Note 21)*	Dividends payable RMB'000 *(Note 21)*	Lease liabilities RMB'000 *(Note 22)*	Amounts due to related parties RMB'000 *(Note 21)*	Total RMB'000
At 1 January 2020	164,325	–	–	95,949	218,501	478,775
Changes from financing cash flows:						
Proceeds from bank and other loans	220,910	–	–	–	–	220,910
Repayment of bank and other loans	(143,179)	–	–	–	–	(143,179)
Capital element of lease rentals paid	–	–	–	(10,013)	–	(10,013)
Interest element of lease rentals paid	–	–	–	(4,409)	–	(4,409)
Dividends paid to equity shareholders of the Company	–	–	(17,855)	–	–	(17,855)
Distributions paid to non-controlling equity owners of a subsidiary	–	–	(274)	–	–	(274)
Net decrease in amounts due to related parties *(Note 27(a)(ii))*	–	–	–	–	(155,591)	(155,591)
Interest paid	–	(14,202)	–	–	–	(14,202)
Total changes from financing cash flows	77,731	(14,202)	(18,129)	(14,422)	(155,591)	(124,613)
Other Changes:						
Net increase in lease liabilities during the year	–	–	–	308,276	–	308,276
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	–	17,855	–	–	17,855
Distributions declared by a subsidiary	–	–	274	–	–	274
Finance costs *(Note 6(a))*	–	14,202	–	12,652	–	26,854
Deemed distribution of the results of the Entrusted Petroleum Refuelling Stations and Storage Facilities prior to the completion of the Acquisition	–	–	–	–	(61,037)	(61,037)
Deemed distribution of the assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities on completion of the Acquisition *(Note 28(b))*	–	–	–	(40,223)	50,111	9,888
Total other changes	–	14,202	18,129	280,705	(10,926)	302,110
At 31 December 2020	242,056	–	–	362,232	51,984	656,272

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

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

	Bank and other loans RMB'000 *(Note 19)*	Interest payable RMB'000 *(Note 21)*	Dividends payable RMB'000 *(Note 21)*	Lease liabilities RMB'000 *(Note 22)*	Amounts due to related parties RMB'000 *(Note 21)*	Total RMB'000
At 1 January 2019 *(as restated – Note 28)*	163,800	–	–	134,427	302,793	601,020
Changes from financing cash flows:						
Proceeds from new bank and other loans *(as restated – Note 28)*	112,845	–	–	–	–	112,845
Repayment of bank and other loans *(as restated – Note 28)*	(112,320)	–	–		–	(112,320)
Capital element of lease rentals paid (as restated – Note 28)	–	–	–	(23,077)	–	(23,077)
Interest element of lease rentals paid *(as restated – Note 28)*	–	–	–	(7,764)	–	(7,764)
Dividends paid to equity shareholders of the Company *(as restated – Note 28)*	–	–	(17,465)	–	–	(17,465)
Distributions paid to non-controlling equity owners of a subsidiary *(as restated – Note 28)*	–	–	(286)	–	–	(286)
Net decrease in amounts due to related parties *(Note 27(a)(i) as restated – Note 28)*	–	–	–	–	(180,612)	(180,612)
Interest paid *(as restated – Note 28)*	–	(14,753)	–	–	–	(14,753)
Total changes from financing cash flows	525	(14,753)	(17,751)	(30,841)	(180,612)	(243,432)
Other Changes:						
Net decrease in lease liabilities during the year *(as restated – Note 28)*	–	–	–	(15,401)	–	(15,401)
Deemed distribution of the results of the Entrusted Petroleum Refuelling Stations and Storage Facilities prior to the completion of the Acquisition *(as restated – Note 28)*	–	–	–	–	96,320	96,320
Dividends approved in respect of the previous year *(Note 24(b)(ii))* *(as restated – Note 28)*	–	–	17,465	–	–	17,465
Distributions declared by a subsidiary *(as restated – Note 28)*	–	–	286	–	–	286
Finance costs *(Note 6(a))* *(as restated – Note 28)*	–	14,753	–	7,764	–	22,517
Total other changes	–	14,753	17,751	(7,637)	96,320	121,187
At 31 December 2019 *(as restated – Note 28)*	164,325	–	–	95,949	218,501	478,775

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

(c) Total cash outflows for leases

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Within operating cash flows		
– Lease rentals paid	252	326
Within investing cash flows		
– Payments for purchase of land-use-rights	–	3,359
Within financing cash flows		
– Lease rentals paid	14,422	30,841
	14,674	34,526

19 BANK AND OTHER LOANS

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Bank loans:		
Secured by property, plant and equipment and/or restricted bank deposits of the Group, and/or guaranteed by a subsidiary or related parties	87,000	62,000
Secured by trade and bills receivables of the Group	10,000	–
Guaranteed by a subsidiary	2,000	–
Guaranteed by a third party	49,000	–
Other loans from related parties:		
Unsecured and unguaranteed	–	30,000
	148,000	93,000
Add: current portion of long-term bank loans *(Note 19(b))*	44,978	8,400
	192,978	101,400

19 BANK AND OTHER LOANS (continued)

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Bank loans:		
Secured by property, plant and equipment of the Group and/or guaranteed by related parties *(Note 19(d))*	3,464	27,400
Secured by equity interests of a subsidiary, and guaranteed by the controlling shareholder of the Group and a related party	41,592	43,925
Guaranteed by a subsidiary	49,000	–
	94,056	71,325
Less: current portion of long-term bank loans *(Note 19(a))*	(44,978)	(8,400)
	49,078	62,925

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Within 1 year	44,978	8,400
After 1 year but within 2 years	3,453	62,925
After 2 years but within 5 years	45,625	–
	94,056	71,325

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

19 BANK AND OTHER LOANS (continued)

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Property, plant and equipment *(Note 11)*	**11,779**	31,663
Restricted bank deposits *(Note 18(a))*	**27,000**	20,000
	38,779	51,663

(e) At 31 December 2020, bank loans and bank acceptance bills facilities of the Group amounted to RMB127,000,000 (2019: RMB50,000,000 (as restated)), and were utilised to the extent of RMB127,000,000 (2019: RMB40,000,000 (as restated)).

(f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 25(b). At 31 December 2020, none of the covenants relating to the bank loans had been breached (2019: None (as restated)).

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

20 TRADE AND BILLS PAYABLES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Trade payables due to:		
– related parties	**10,088**	39,894
– third parties	**20,051**	33,928
	30,139	73,822
Bills payables due to:		
– related parties	**30,000**	2,000
– third parties	**30,000**	–
	60,000	2,000
	90,139	75,822

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

As of the end of the reporting period, the ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Within 1 month	**30,139**	74,410
1 to 3 months	**30,000**	1,412
Over 3 months	**30,000**	–
	90,139	75,822

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

21 ACCRUED EXPENSES AND OTHER PAYABLES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Payables for staff related costs	**6,971**	4,225
Deposits from customers	**1,445**	1,341
Payables for acquisitions of property, plant and equipment	**897**	7,489
Other taxes payables	**3,191**	1,166
Amounts due to related parties *(Note (i))*	**51,984**	–
Others	**11,005**	8,931
Financial liabilities measured at amortised cost	**75,493**	23,152
Receipts in advance due to:		
– related parties	**–**	15,726
– third parties	**182,991**	172,331
Amounts due to related parties *(Note (ii))*	**–**	218,501
	182,991	406,558
	258,484	429,710

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

Notes:

(i) These amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) These amounts due to related parties were related to the Entrusted Petroleum Refuelling Stations and Storage Facilities, and were derecognised upon the completion of the Acquisition (see Note 28(b)).

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

22 LEASE LIABILITIES

At 31 December 2020, the lease liabilities are repayable as follows:

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Within 1 year	**50,711**	36,889
After 1 year but within 2 years	**53,516**	11,312
After 2 years but within 5 years	**123,504**	30,569
After 5 years	**134,501**	17,179
	311,521	59,060
	362,232	95,949

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Income tax payable at 1 January, net	**11,324**	5,194
Provision for the year *(Note 7(a))*	**49,061**	55,068
Income tax paid	**(35,090)**	(48,938)
Income tax payable at 31 December, net	**25,295**	11,324
Representing:		
Income tax payable	**28,763**	11,848
Income tax recoverable	**(3,468)**	(524)
	25,295	11,324

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets						Liabilities		
	Unused tax losses	Accruals	Credit loss allowance	Impairment loss on property, plant and equipment	Write-down of inventories	Depreciation and finance costs arising from capitalisation of leases	Fair value adjustments on property, plant and equipment and subsequent depreciation	Retained profits to be distributed	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 *(as restated – Note 28)*	484	52	1,372	94	1,325	462	(3,625)	(3,300)	(3,136)
Credited/(charged) to the consolidated statement of profit or loss *(Note 7(a))* *(as restated – Note 28)*	1,248	(52)	220	–	(1,325)	218	112	(100)	321
Effect resulting from a change in applicable withholding tax rate *(Note 7(a))* *(as restated – Note 28)*	–	–	–	–	–	–	–	1,650	1,650
At 31 December 2019 *(as restated – Note 28)*	1,732	–	1,592	94	–	680	(3,513)	(1,750)	(1,165)
At 1 January 2020	1,732	–	1,592	94	–	680	(3,513)	(1,750)	(1,165)
Credited/(charged) to the consolidated statement of profit or loss *(Note 7(a))*	2,365	–	(484)	–	–	867	112	(250)	2,610
Derecognition of assets of the Entrusted Petroleum Refuelling Stations and Storage Facilities *(Note 28(b))*	–	–	(4)	–	–	–	–	–	(4)
At 31 December 2020	4,097	–	1,104	94	–	1,547	(3,401)	(2,000)	1,441

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised (continued)

Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Deferred tax assets recognised in the consolidated statement of financial position	**7,793**	5,292
Deferred tax liabilities recognised in the consolidated statement of financial position	**(6,352)**	(6,457)
	1,441	(1,165)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain deductible temporary differences of RMB7,554,000 (2019: RMB16,103,000 (as restated)) 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 2020, taxable temporary differences relating to the undistributed profits of the subsidiaries of the Group established in the PRC amounted to RMB212,468,000 (2019: RMB166,869,000 (as restated)), where deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits for the year ended 31 December 2020 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.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes of the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 *(Note 24(c))*	Share premium RMB'000 *(Note 24(d)(i))*	Exchange reserve RMB'000 *(Note 24(d)(iv))*	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	19,794	120,037	6,705	(10,820)	135,716
Changes in equity for 2019:					
Loss for the year	–	–	–	(27,881)	(27,881)
Other comprehensive income for the year	–	–	1,900	–	1,900
Total comprehensive income	–	–	1,900	(27,881)	(25,981)
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	–	(17,465)	–	–	(17,465)
At 31 December 2019 and 1 January 2020	**19,794**	**102,572**	**8,605**	**(38,701)**	**92,270**
Changes in equity for 2020:					
Profit for the year	**–**	**–**	**–**	**4,837**	**4,837**
Other comprehensive income for the year	**–**	**–**	**(43,645)**	**–**	**(43,645)**
Total comprehensive income	**–**	**–**	**(43,645)**	**4,837**	**(38,808)**
Dividends approved in respect of the previous year *(Note 24(b)(ii))*	**–**	**(17,855)**	**–**	**–**	**(17,855)**
Issuance of shares in connection with the Acquisition *(Notes 24(c)(i) and 28)*	**8,928**	**464,251**	**–**	**–**	**473,179**
Issuance of shares by placing *(Note 24(c)(ii))*	**3,571**	**170,523**	**–**	**–**	**174,094**
	12,499	**616,919**	**–**	**–**	**629.418**
At 31 December 2020	**32,293**	**719,491**	**(35,040)**	**(33,864)**	**682,880**

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

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

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

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

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

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

	2020		2019	
	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

	2020		2019	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	234,502	19,794	234,502	19,794
Issuance of shares in connection with the Acquisition *(Note(i))*	100,000	8,928	–	–
Issuance of shares by placing *(Note (ii))*	40,000	3,571	–	–
At 31 December	374,502	32,293	234,502	19,794

Notes:

(i) *Upon completion of the Acquisition as mentioned in Notes 2(b) and 28, the Company allotted and issued 100,000,000 ordinary shares as part of the consideration of the Acquisition. The issued ordinary shares were all credited as fully paid, and the amount of HK$10,000,000 (equivalent to approximately RMB8,928,000), representing the par value of the ordinary share issued, was credited to share capital.*

(ii) *On 24 August 2020, the Company issued 40,000,000 ordinary shares by placing at HK$5.0 per ordinary share. The amount of HK$4,000,000 (equivalent to approximately RMB3,571,000), representing the par value of the ordinary shares issued, was credited to share capital. The remaining proceeds, net of issuance expenses, of HK$195,000,000 (equivalent to approximately RMB170,523,000) were credited to the share premium account.*

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(ii) Other reserve

The balance of other reserve at the end of each reporting period and 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 of the Entrusted Petroleum Refuelling Stations and Storage Facilities deemed to be distributed by the Group upon the completion of the Acquisition (see Note 28(b)).

(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(u).

(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.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables are limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of the customer or debtor rather than the industry in which the customers or debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. At 31 December 2020, 20% (2019: 15% (as restated)) and 39% (2019: 33% (as restated)) 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 and contract assets 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 significantly 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.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

Other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2020:

	At 31 December 2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**1.0%**	**13,736**	**137**
1 month past due	**3.0%**	**6,295**	**188**
1 to 3 months past due	**17.7%**	**6,655**	**1,180**
3 to 6 months past due	**58.9%**	**3,640**	**2,143**
More than 6 months past due	**100.0%**	**801**	**801**
		31,127	**4,449**

	At 31 December 2019 *(restated – Note 28)*		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.8%	26,130	217
1 months past due	3.0%	7,717	233
1 to 3 months past due	16.7%	9,826	1,637
3 to 6 months past due	55.0%	2,903	1,596
More than 6 months past due	100.0%	2,685	2,685
		49,261	6,368

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.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

Other receivables (continued)

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Balance at 1 January	**6,368**	5,488
Impairment (gain)/loss during the year	**(1,919)**	880
Balance at 31 December	**4,449**	6,368

(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:

	2020 Contractual undiscounted cash outflow						2019 *(restated - Note 28)* Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank and other loans	200,748	6,689	46,505	–	253,942	242,056	110,618	65,312	–	–	175,930	164,325
Trade and bills payables	90,139	–	–	–	90,139	90,139	75,822	–	–	–	75,822	75,822
Accrued expenses and other payables measured at amortised cost	75,493	–	–	–	75,493	75,493	23,152	–	–	–	23,152	23,152
Lease liabilities	52,072	59,217	158,555	229,444	499,288	362,232	37,919	12,653	38,630	28,892	118,094	95,949
	418,452	65,906	205,060	229,444	918,862	769,920	247,511	77,965	38,630	28,892	392,998	359,248

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

(c) Interest rate risk

Interest rate risk profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing bank borrowings and lease liabilities. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000 Restated *(Note 28)*
Fixed rate borrowings:		
Bank and other loans	**242,056**	164,325
Lease liabilities	**362,232**	95,949
	604,288	260,274

(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 2020 and 2019.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

26 COMMITMENTS

Capital commitments outstanding at 31 December 2020 not provided for in the consolidated financial statements were as follows:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Commitments in respect of property, plant and equipment:		
– Contracted for	**4,979**	1,515
– Authorised but not contracted for	**21,194**	21,559
	26,173	23,074

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with the equity shareholders of the Company, companies controlled by the equity shareholders of the Company and their close family members

(i) As a result of the Acquisition mentioned in Notes 2(b) and 28, transactions with related parties previously reported by the Group have been restated to reflect the effect of the Acquisition as if the Acquisition was completed and the Petroleum Refuelling Business had been combined at the beginning of the comparative period.

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Sales of goods	**82,126**	29,637
Provision of transportation services	**15,991**	8,710
Purchases of goods	**235,939**	744,545
Rental income from operating leases	**517**	597
Operating lease charges (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	**15,569**	–
Service fee paid for other services received	**1,209**	1,610
Guarantees received for the Group's bank and other loans at the end of the reporting period *(Note 19(b))*	**118,592**	109,325
Repayments of loans to related parties *(Note 19(a))*	**(30,000)**	(60,000)
Net decrease in amounts due to related parties	**166,517**	84,292

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with the equity shareholders of the Company, companies controlled by the equity shareholders of the Company and their close family members (continued)

(ii) For illustrative purpose, the table below summarised the transactions with related parties on the basis that transactions with related parties of the Petroleum Refuelling Business prior to the completion of the Acquisition are excluded.

	2020 RMB'000	2019 RMB'000
Sales of goods	**6,633**	198
Provision of transportation services	**34,919**	46,616
Purchases of goods	**94,455**	14,983
Rental income:		
– from operating leases	**–**	127
– from entrustment fee in connection with petroleum refuelling stations entrusted to a related party	**733**	1,100
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party	**2,000**	4,000
Operating lease charges (recognised as depreciation and interest expenses from right-of-use assets under IFRS 16)	**17,911**	3,512
Service fee paid for other services received	**992**	–
Entrustment fee in connection with gas refuelling stations entrusted from a related party (recognised as depreciation and interest expenses from right of-use assets under IFRS 16)	**1,775**	2,663
Guarantees received for the Group's bank and other loans at the end of the reporting period *(Note 19(b))*	**41,592**	43,925
Repayments of loans to related parties *(Note 19(a))*	**(30,000)**	–
Net increase in amounts due to related parties	**51,984**	–

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*
Short-term employee benefits	**4,696**	4,647
Contributions to defined contribution retirement plans	**108**	108
	4,804	4,755

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

(c) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions included in Note 27(a)(ii) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section Connected Transactions of the Directors' Report or those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

28 ACQUISITION OF THE PETROLEUM REFUELLING BUSINESS

As mentioned in Note 2(b), the Company acquired the Petroleum Refuelling Business through the acquisition of the entire issued share capital of Eternal Global for a consideration of HK$680,000,000, comprising (i) HK$530,000,000 (equivalent to approximately RMB473,179,000) by issuance of 100,000,000 ordinary shares in the Company at HK$5.3 per ordinary share, representing the closing market share price of the Company's share on the Completion Date; and (ii) cash consideration of HK$150,000,000 (equivalent to approximately RMB133,919,000) on the Completion Date.

The expenditures incurred directly related to the Acquisition amounted to approximately RMB33,030,000, of which RMB12,519,000 and RMB16,067,000 were charged to profit or loss for the years ended 31 December 2020 and 2019 respectively.

The Acquisition is treated as a combination of businesses under common control, and these financial statements have been prepared using the merger basis of accounting as if the Acquisition was completed and the Petroleum Refuelling Business had been combined at the beginning of the comparative period.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF THE PETROLEUM REFUELLING BUSINESS (continued)

(a) The effect of the Acquisition on the Group's consolidated statement of financial position at 31 December 2019, and consolidated statement of profit or loss and condensed consolidated cash flow statement for the year ended 31 December 2019 as previously reported were as follows.

Consolidated statement of profit or loss for the year ended 31 December 2019

	The Group (as previously reported) RMB'000 ((Note(i))	The Petroleum Refuelling Business RMB'000 (Note(ii))	Elimination RMB'000	The Group (as restated) RMB'000
Revenue	403,248	3,602,976	(52,931)	3,953,293
Cost of sales	(226,746)	(3,283,533)	56,931	(3,453,348)
Gross profit	176,502	319,443	4,000	499,945
Other income	8,361	12,860	(11,275)	9,946
Staff costs	(50,517)	(97,310)	–	(147,827)
Depreciation expenses	(29,685)	(46,726)	6,472	(69,939)
Impairment loss on trade receivables	(39)	(844)	3	(880)
Other operating expenses	(29,631)	(32,519)	–	(62,150)
Profit from operations	74,991	154,904	(800)	229,095
Share of profits of a joint venture	1,023	–	–	1,023
Finance costs	(6,685)	(17,028)	1,196	(22,517)
Costs incurred in connection with the acquisitions of businesses	(16,067)	–	–	(16,067)
Profit before taxation	53,262	137,876	396	191,534
Income tax	(17,569)	(35,429)	(99)	(53,097)
Profit for the year	35,693	102,447	297	138,437
Attributable to:				
– Equity shareholders of the Company *(Note (iii))*	35,642	–	100,003	135,645
– Parent's net investment *(Note (iii))*	–	73,106	(73,106)	–
– Non-controlling interests *(Note (iii))*	51	29,341	(26,600)	2,792
Profit for the year	35,693	102,447	297	138,437

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF THE PETROLEUM REFUELLING BUSINESS (continued)

(a) (continued)

Consolidated statement of financial position at 31 December 2019

	The Group (as previously reported) RMB'000 ((Note(i))	The Petroleum Refuelling Business RMB'000 (Note(ii))	Elimination RMB'000	The Group (as restated) RMB'000
Non-current assets				
Property, plant and equipment	157,487	346,486	18,266	522,239
Investment properties	–	43,234	(40,868)	2,366
Interest in a joint venture	77,556	–	–	77,556
Deferred tax assets	1,742	3,796	(246)	5,292
	236,785	393,516	(22,848)	607,453
Current assets				
Inventories	1,615	102,064	–	103,679
Trade and bills receivables	9,198	35,534	(1,839)	42,893
Prepayments, deposits and other receivables	122,260	94,239	(700)	215,799
Amounts due from related parties	–	248,550	(248,550)	–
Income tax recoverable	338	186	–	524
Cash and cash equivalents	57,474	28,215	–	85,689
	190,885	508,788	(251,089)	448,584
Current liabilities				
Bank and other loans	25,000	76,400	–	101,400
Trade and bills payables	4,576	73,102	(1,856)	75,822
Accrued expenses and other payables	23,159	188,750	217,801	429,710
Lease liabilities	14,512	28,246	(5,869)	36,889
Income tax payable	9,172	2,676	–	11,848
	76,419	369,174	210,076	655,669
Net current assets/(liabilities)	114,466	139,614	(461,165)	(207,085)
Total assets less current liabilities	351,251	533,130	(484,013)	400,368
Non-current liabilities				
Bank and other loans	43,925	19,000	–	62,925
Lease liabilities	26,790	49,967	(17,697)	59,060
Deferred tax liabilities	5,774	683	–	6,457
	76,489	69,650	(17,697)	128,442
NET ASSETS	274,762	463,480	(466,316)	271,926

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF THE PETROLEUM REFUELLING BUSINESS (continued)

(a) (continued)

Consolidated statement of financial position at 31 December 2019 (continued)

	The Group (as previously reported) RMB'000 ((Note(i))	The Petroleum Refuelling Business RMB'000 (Note(ii))	Elimination RMB'000	The Group (as restated) RMB'000
CAPITAL AND RESERVES				
Share capital	19,794	-	-	19,794
Reserves	248,555	-	(27,044)	221,511
Total equity attributable to equity shareholders of the Company	268,349	-	(27,044)	241,305
Parent's net investment	-	313,612	(313,612)	-
Non-controlling interests	6,413	149,868	(125,660)	30,621
TOTAL EQUITY	274,762	463,480	(466,316)	271,926

Condensed consolidated cash flow statement for the year ended 31 December 2019

	The Group (as previously reported) RMB'000 ((Note(i))	The Petroleum Refuelling Business RMB'000 (Note(ii))	Elimination RMB'000	The Group (as restated) RMB'000
Net cash generated from operating activities	15,562	304,810	(5,325)	315,047
Net cash used in investing activities	(95,862)	(54,031)	–	(149,893)
Net cash generated from/(used in) financing activities	9,452	(261,349)	5,325	(246,572)

Notes:

(i) Certain financial figures have been reclassified to conform to the current period's presentation.

(ii) The amounts related to the Petroleum Refuelling Business are extracted from the consolidated financial statements of the Petroleum Refuelling Business as set out in Appendix I in the circular of the Company dated 30 June 2020, where certain reclassification adjustments were made in order to conform to the current period's presentation of the Group.

(iii) Assets and liabilities of the Petroleum Refuelling Business included in Appendix I in the circular of the Company dated on 30 June 2020 were stated at the book values from the perspective of Mr Zhao Jinmin. parent's net investment was shown in lieu of shareholders' equity to present the cumulative interest of Mr Zhao Jinmin in the Petroleum Refuelling Business. The proportionate interest in the operating results and net assets not attributable to Mr Zhao Jinmin was presented as attributable to the non-controlling interests of the Petroleum Refuelling Business.

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF THE PETROLEUM REFUELLING BUSINESS (continued)

(b) The table below details a reconciliation between the total consideration of the Acquisition and the identifiable assets and liabilities of the Entrusted Petroleum Refuelling Stations and Storage Facilities deemed to be distributed by the Group on the completion of the Acquisition, and the effect on equity.

	RMB'000	RMB'000
Cash consideration	133,919	
Consideration in shares in the Company	473,179	
Total consideration		607,098
Property, plant and equipment *(Note 11(a))*	155,492	
Deferred tax assets *(Note 23(b))*	4	
Prepayments, deposits and other receivables	30	
Accrued expenses and other payables	(50,111)	
Lease liabilities *(Note 18(b))*	(40,223)	
Net assets deemed to be distributed by the Group on the Acquisition		65,192
Total consideration over the net assets deemed to be distributed by the Group on the Acquisition, debited to other reserve in equity		672,290

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

29 COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Non-current assets			
Interests in subsidiaries	*13*	**682,768**	116,866
Right-of-use assets		**526**	3,128
		683,294	119,994
Current assets			
Cash and cash equivalents		**41,453**	18,330
Current liabilities			
Other payables		**9**	9
Lease liabilities		**266**	1,742
		275	1,751
Net current assets		**41,178**	16,579
Total assets less current liabilities		**724,472**	136,573
Non-current liabilities			
Bank loans		**41,592**	43,925
Lease liabilities		**–**	378
		41,592	44,303
NET ASSETS		**682,880**	92,270
CAPITAL AND RESERVES	*24*		
Share capital		**32,293**	19,794
Reserves		**650,587**	72,476
TOTAL EQUITY		**682,880**	92,270

Approved and authorised for issue by the board of directors on 26 March 2021.

Zhao Jinmin
Chairman

Liu Yingwu
Director

Notes to the Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed final dividend

On 26 March 2021, the directors of the Company proposed a final dividend. Further details are disclosed in Note 24(b).

(b) Impact from the Covid-19 pandemic

The Covid-19 pandemic since early 2020 continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the easing of the Covid-19 pandemic in Mainland China, the Group continues to closely monitor the possible impact of the Covid-19 pandemic has on the Group's businesses and keep contingency measures in place and under review in the case where the Covid-19 pandemic rebounds. The directors of the Company confirm that these contingency measures include but not limited to reassessing the flexibility of the current mechanisms in determining the selling prices of refined oil and natural gas in light of the fluctuation to the purchase prices and demand, reassessing the sustainability of existing suppliers and/or expanding the supplier base of refined oil and natural gas in ensuring the adequate supply of refined oil and natural gas at prices that align with market quotations, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms.

As far as the Group's businesses are concerned, the Covid-19 pandemic may impact the demand of the Group's refined oil and natural gas which in turn may result in the decrease in sales of such products and/or impact the availabilities of refined oil and natural gas which in turn may result in the increase in purchase prices of such products, and hence the profitability of the Group's operations and the potential impairment of the Group's property, plant and equipment in future periods.

31 COMPARATIVE FIGURES

As a result of the Acquisition mentioned in Notes 2(b) and 28, comparative information has been restated. Further details of the restatements are disclosed in Note 28.

32 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 2020 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.

(Expressed in RMB unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of sales between an investor and its associate or joint venture*	To be determined
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	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 four financial years. The financial information for the year ended 31 December 2020 is extracted from the financial statements in this annual report while such for 2016 is extracted from the prospectus of the Company dated 29 September 2017.

RESULTS

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*	2018 RMB'000	2017 RMB'000 Restated	2016 RMB'000
Revenue	**3,481,322**	3,953,293	348,166	256,147	274,605
Profit before taxation	**170,814**	191,534	58,493	23,354	45,279
Income tax	**(46,451)**	(53,097)	(14,946)	(12,739)	(10,653)
Profit for the year	**124,363**	138,437	43,547	10,615	34,626
Attributable to:					
Equity shareholders of the Company	**123,283**	135,645	42,971	9,525	34,186
Non-controlling interests	**1,080**	2,792	576	1,090	440
Profit for the year	**124,363**	138,437	43,547	10,615	34,626

ASSETS AND LIABILITIES

	2020 RMB'000	2019 RMB'000 Restated *(Note 28)*	2018 RMB'000	2017 RMB'000 Restated	2016 RMB'000
Total assets	**1,273,135**	1,056,037	323,322	300,550	205,409
Total liabilities	**988,026**	784,111	67,854	70,142	62,756
	285,109	271,926	255,468	230,408	142,653
Total equity attributable to					
Equity shareholders of the Company	**253,605**	241,305	248,820	223,871	137,404
Non-controlling interests	**31,504**	30,621	6,648	6,537	5,249
	285,109	271,926	255,468	230,408	142,653