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## **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)**

### **CONTINUING CONNECTED TRANSACTION RELATING TO THE PROVISION OF PETROLEUM AND LIQUEFIED GAS TRANSPORTATION SERVICE**

#### **PROVISION OF PETROLEUM AND LIQUEFIED GAS TRANSPORTATION SERVICE**

The Board announces that, on 11 June 2021 (after trading hours), Jieli Logistics as service provider and Changchun Yitonghe (on behalf of the Changchun Yitonghe Related Companies) as service recipient entered into the Petroleum and Liquefied Gas Transportation Service Agreement, pursuant to which Jieli Logistics will provide petroleum and liquefied gas transportation service through the transportation vehicles owned by Jieli Logistics at such time and to such petroleum and liquefied gas refineries or facilities locations as requested by the relevant service recipient in consideration of the transportation service fee for a term of not more than three years from the effective date of the Petroleum and Liquefied Gas Transportation Service Agreement to 31 December 2023.

#### **LISTING RULES IMPLICATIONS**

Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Hence, Changchun Yitonghe is regarded as an associate of Mr. Zhao, and hence a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transportation service fee regarding the Provision of Petroleum and Liquefied Gas Transportation Service is more than 0.1% but less than 5%, the Provision of Petroleum and Liquefied Gas Transportation Service is subject to the compliance with the announcement, reporting and annual review (for continuing connected transactions) requirements but exempted from circular (including the independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **PROVISION OF PETROLEUM AND LIQUEFIED GAS TRANSPORTATION SERVICE**

The Board announces that, on 11 June 2021 (after trading hours), Jieli Logistics as service provider and Changchun Yitonghe (on behalf of the Changchun Yitonghe Related Companies) as service recipient entered into the Petroleum and Liquefied Gas Transportation Service Agreement, pursuant to which Jieli Logistics will provide petroleum and liquefied gas transportation service through the transportation vehicles owned by Jieli Logistics at such time and to such petroleum and liquefied gas refineries or facilities locations as requested by the relevant service recipient in consideration of the transportation service fee for a term of not more than three years from the effective date of the Petroleum and Liquefied Gas Transportation Service Agreement to 31 December 2023.

Principal terms of the Petroleum and Liquefied Gas Transportation Service Agreement are summarised as follows:

### **PETROLEUM AND LIQUEFIED GAS TRANSPORTATION SERVICE AGREEMENT**

Date	:	11 June 2021
Parties	:	(1) Jieli Logistics (as service provider); and (2) Changchun Yitonghe (on behalf of the Changchun Yitonghe Related Companies) (as service recipient).
Term	:	From 11 June 2021 (the effective date of the Petroleum and Liquefied Gas Transportation Service Agreement) to 31 December 2023.
Major terms	:	Jieli Logistics will provide petroleum and liquefied gas transportation service through the transportation vehicles owned by Jieli Logistics at such time and to such petroleum and liquefied gas refineries or facilities location as requested by the relevant service recipient in consideration of the transportation service fee to Jieli Logistics by the service recipient.

Determination of service fee : The service fee for the petroleum and liquefied gas transportation service is determined and measured by the actual weight of the petroleum or liquefied gas and the actual travelling distance.

The service fee will be negotiated by the parties (on arm's length basis and in good faith) with reference to the prevailing market prices of similar services provided by Jieli Logistics to other Independent Third Parties and the service fee and other transaction terms shall not be less favourable than those Jieli Logistics can obtain from other Independent Third Parties. For details of the Group's internal control measures to ensure this, please refer to the section headed "Internal Control Measures" in this announcement.

Payment term : Balance will be calculated on the following month and the invoice will be issued by Jieli Logistics to Changchun Yitonghe Related Companies by the end of each month and payment shall be settled within one month from the date of invoice.

### **Historical Amount**

The below sets out the aggregated historical transaction amounts for the transportation service fee incurred by the petroleum and liquefied gas refineries or facilities of the Changchun Yitonghe Related Companies from other Independent Third Parties for the three years ended 31 December 2018, 2019 and 2020:

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transportation service fee	9,745	9,020	13,105

As Changchun Yitonghe Related Companies have been engaging other Independent Third Parties as petroleum and liquefied gas transportation service providers for the three years ended 31 December 2020, no transportation service fee in respect of the provision of such petroleum and liquefied gas transportation service was paid by Changchun Yitonghe Related Companies to Jieli Logistics for the same period. Based on the aggregated unaudited figures for the four months ended 30 April 2021, such transportation service fee paid by Changchun Yitonghe Related Companies to Jieli Logistics amounted to approximately RMB1.7 million<sup>(Note)</sup>.

*Note:* The historical transaction amount for the four months ended 30 April 2021 includes the amount of transportation service fee in respect of the provision of petroleum and liquefied gas transportation service paid by Jilin Chinese Petroleum Clean Energy Storage and Transportation Company Limited\* (吉林中油潔能儲運有限公司) (“**Jilin Storage and Transportation**”). Based on publicly available information, Jilin Storage and Transportation was wholly-owned by Changchun United Strength Gas Storage and Transportation Company\* (長春眾誠燃氣儲運有限公司) (“**United Strength Storage and Transportation**”), whose registered capital was wholly-owned by Changchun Yitonghe prior to 23 April 2021. Based on publicly available information as at the date of this announcement, Changchun Yitonghe has transferred all of its interests in United Strength Storage and Transportation on 23 April 2021 to Changchun Huize Gas Company Limited\* (長春匯澤燃氣有限公司), whose registered capital was owned as to approximately 60% by Ma Wenji (馬文紀) and as to approximately 40% by Lu Tong (盧彤). Since then, Jilin Storage and Transportation became an Independent Third Party.

### Annual caps and basis of determination

The Board estimates that the aggregated annual transportation service fee under the Petroleum and Liquefied Gas Transportation Service Agreement for the three years ending 31 December 2023 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Transportation service fee ( <i>unaudited</i> )	14,000	19,000	21,000

In determining the above aggregated annual caps, the Directors have considered generally:

- the historical amount of the transportation service fee of the petroleum and liquefied gas transportation service;
- the aggregated demand from the Changchun Yitonghe Related Companies for the petroleum and liquefied gas transportation service from other petroleum and liquefied gas transportation service providers during the three years ended 31 December 2020 and the aggregated anticipated demand for the three years ending 31 December 2023;
- the expected increase of transportation service fee per ride as a result of the anticipated rising demand of long-distance transportation service to be procured by Changchun Yitonghe Related Companies; and
- the anticipated market prices of petroleum and liquefied gas transportation service for the three years ending 31 December 2023.

## INTERNAL CONTROL MEASURES

To ensure that the transactions will be conducted on normal commercial terms and not prejudice to the interests of the Company and the Shareholders, the Group will take the following actions on a biweekly basis:

### A. In the situation that Changchun Yitonghe Related Companies are Jieli Logistics' only customer in respect of petroleum and liquefied gas transportation service

1. Jieli Logistics will through its marketing department, on weekly basis, research on the prevailing market prices of similar services (the "**Market Price**"):
  - (a) received at least 2 independent petroleum and liquefied gas refineries or refuelling station operators through its preliminary marketing phone call with those petroleum and liquefied gas refineries or refuelling station operators to ascertain the normal market price acceptable to them; and
  - (b) provided by at least 2 independent transportation service providers by making general enquiry about their petroleum and liquefied gas transportation service and obtaining fee quotes from them via the phone;
2. based on the Market Price, the marketing staff will adopt the highest applicable Market Price to estimate the proposed transportation service fee of Jieli Logistics (the "**Proposed Price**") and report the same together with the Market Price to the general manager of Jieli Logistics;
3. the general manager of Jieli Logistics will review the Proposed Price and compare the same with the Market Price, and will then approve the Proposed Price if it is no less favourable than the Market Price.

### B. In the situation that Jieli Logistics has independent third party customer(s) other than the Changchun Yitonghe Related Companies in respect of petroleum and liquefied gas transportation service

1. Jieli Logistics will take all the actions mentioned in part A above;
2. on top of that, when the marketing staff conducts the price estimation and the general manager of Jieli Logistics reviews the Proposed Price, both of them will take into account the transportation service fees (the "**Independent Customer Price**") received by Jieli Logistics from its independent third party customer(s); and
3. the general manager of Jieli Logistics will approve the Proposed Price if it is no less favourable than the Market Price and the Independent Customer Price.

The service fee must be agreed by the parties to the Petroleum and Liquefied Gas Transportation Service Agreement before the Provision of Petroleum and Liquefied Gas Transportation Service and the Group will follow the above-mentioned procedures not less than twice a month to ensure the service fee shall not be less favourable than the Market Price and the Independent Customer Price (if any).

## **REASONS FOR AND BENEFITS OF THE PETROLEUM AND LIQUEFIED GAS TRANSPORTATION SERVICE AGREEMENT**

As set out in the section headed “Relationship with Controlling Shareholders” in the Circular, certain businesses of the Changchun Yitonghe Related Companies were excluded from the Acquisition. The reasons for their exclusion include, among others, (i) the delineation of principal businesses between the relevant Changchun Yitonghe Related Company and the Group (in the case of Songyuan Petrochemical (as defined below)); and (ii) the refusal of majority shareholders of the Changchun Yitonghe Related Companies to dispose its respective equity interests in those companies (in the cases of United Strength Vehicle Services (as defined below) and Jilin Sino Gas Yitonghe (as defined below)). In addition, the Changchun Yitonghe Related Companies have been engaging other Independent Third Parties as petroleum and liquefied gas transportation service providers for the three years ended 31 December 2020.

Considering that (i) Jieli Logistics have been providing transportation service to the refineries and facilities of the Changchun Yitonghe Related Companies since 1 January 2021; (ii) the Changchun Yitonghe Related Companies have been looking for more stable and better quality petroleum and liquefied gas transportation service providers with newer transportation fleet and equipment; (iii) Jieli Logistics is expected to generate stable revenue streams from the Provision of Petroleum and Liquefied Gas Transportation Service; and (iv) the terms of the Petroleum and Liquefied Gas Transportation Service Agreement are on terms no less favourable to Jieli Logistics than terms available from other Independent Third Parties, the Directors consider that it would be beneficial to the Group for Jieli Logistics to provide petroleum and liquefied gas transportation service to the Changchun Yitonghe Related Companies.

The Directors, after reviewing the terms of the Petroleum and Liquefied Gas Transportation Service Agreement, are of the view that the Petroleum and Liquefied Gas Transportation Service Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms (or on terms which are no less favourable to the Group), in the ordinary and usual course of business of the Group and the terms of the Petroleum and Liquefied Gas Transportation Service Agreement as well as the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe, and Mr. Liu, one of the executive Directors, owned as to approximately 8.23% of Changchun Yitonghe, hence Mr. Zhao and Mr. Liu are regarded as having a material interest in the Provision of Petroleum and Liquefied Gas Transportation Service, and therefore have abstained from voting in the relevant board meeting of the Company.

## **LISTING RULES IMPLICATIONS**

Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Hence, Changchun Yitonghe is regarded as an associate of Mr. Zhao, and hence a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.



In respect of the amount of transportation service fee paid by the Changchun Yitonghe Related Companies and Jilin Storage and Transportation (a company which has ceased to be a connected person of the Company since 23 April 2021) to Jieli Logistics for the four months ended 30 April 2021, the applicable percentage ratios were above 0.1% but less than 5% and the total consideration was less than HK\$3 million. Hence, it was fully exempted from the announcement, reporting, annual review (for continuing connected transactions), circular (including the independent financial advice) and independent Shareholders' approval requirements.

In respect of the annual cap for the Provision of Petroleum and Liquefied Gas Transportation Service under the Petroleum and Liquefied Gas Transportation Service Agreement, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Provision of Petroleum and Liquefied Gas Transportation Service is more than 0.1% but less than 5%, the Provision of Petroleum and Liquefied Gas Transportation Service is subject to the compliance with the announcement, reporting and annual review (for continuing connected transactions) requirements but exempted from circular (including the independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

### **INFORMATION OF CHANGCHUN YITONGHE**

Changchun Yitonghe and its subsidiaries are principally engaged in petroleum exploitation and refining, upstream petroleum supplies and research and development of petroleum products.

Based on publicly available information, Changchun Yitonghe is owned as to approximately 60.90% by Mr. Zhao, as to approximately 12.34% by Ms. Xu, as to approximately 8.23% by Mr. Liu, as to approximately 0.82% by Mr. Wang Qingguo, as to approximately 7.63% by Changchun Rundeshidai Investment Consulting Centre (Limited Partnership) (長春潤德時代投資諮詢中心(有限合夥)), as to approximately 6.30% by Changchun Shenglongshidai Investment Consulting Centre (Limited Partnership) (長春盛隆時代投資諮詢中心(有限合夥)), and as to approximately 3.78% by Changchun Huizhongshidai Investment Consulting Centre (Limited Partnership) (長春滙眾時代投資諮詢中心(有限合夥)) as at the date of this announcement.

### **INFORMATION OF SONGYUAN PETROCHEMICAL**

Jilin Province Songyuan Petrochemical Company Limited\* (吉林省松原石油化工股份有限公司) (“**Songyuan Petrochemical**”) is principally engaged in the production and sales of gasoline, diesel, propylene, propane, liquefied petroleum gas, n-butane, isooctane, sulfuric acid; light and heavy aromatics; transportation of dangerous goods; sales of raw oil (except dangerous chemicals); and other life services. Based on publicly available information, Songyuan Petrochemical is owned as to approximately 97.87% by Changchun Yitonghe and approximately 2.13% by Songyuan State-owned Capital Operation Company Limited\* (松原市國有資本經營有限責任公司) as at the date of this announcement.

For details in relation to the exclusion of Songyuan Petrochemical's business in the Acquisition, please refer to the section headed “Relationship with Controlling Shareholders” in the Circular.

## **INFORMATION OF UNITED STRENGTH VEHICLE SERVICES**

Jilin Province United Strength Vehicle Services Chain Company Limited\* (吉林省眾誠汽車服務連鎖有限公司) (“**United Strength Vehicle Services**”) is principally engaged in the operation and management of petroleum refuelling stations in Jilin Province. It is beneficially owned as to approximately 54.9% and approximately 45.1% by Beijing Zhonghui Hongcheng Investment Management Company Limited\* (北京眾輝弘晟投資管理有限公司) (“**Beijing Zhonghui**”), and Changchun Yitonghe respectively as at the date of this announcement.

Beijing Zhonghui is principally engaged in project investments; provision of catering and conference services; provision of financial and economic consultation and investment management; and leasing of office and business premises and vehicles.

Based on publicly available information as at the date of this announcement, Beijing Zhonghui’s registered capital was owned as to approximately 82.33% by Xie Jingshan (謝京山) and as to approximately 17.67% by Dai Shaojun (代紹軍). To the best of the Directors’ knowledge, information and belief, the ultimate beneficial owners of Beijing Zhonghui are Independent Third Parties.

For details in relation to the reasons for the exclusion of United Strength Vehicle Services’ business in the Acquisition, please refer to the section headed “Relationship with Controlling Shareholders” in the Circular.

## **INFORMATION OF JILIN SINO GAS YITONGHE**

Jilin Sino Gas Yitonghe Petroleum Sales Limited Liability Company\* (吉林中油伊通河石油銷售有限責任公司) (“**Jilin Sino Gas Yitonghe**”) is principally engaged in the wholesale of ethanol gasoline, kerosene, and diesel; sale of retail gasoline, ethanol gasoline, kerosene, and diesel; distribution of lubricants, knitted textiles and daily necessities, hardware, household appliances, electronic products, cultural and sporting goods, labor insurance products, chemical products (except hazardous chemicals), auto parts; retail tobacco products. Based on publicly available information as at the date of this announcement, Jilin Sino Gas Yitonghe’s registered capital was owned as to approximately 55% by PetroChina Company Limited, a listed company on the Stock Exchange (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857) and as to approximately 44% by Changchun Yitonghe. To the best of the Directors’ knowledge, information and belief, the ultimate beneficial owners of PetroChina Company Limited are Independent Third Parties.

For details in relation to the reasons for the exclusion of Jilin Sino Gas Yitonghe’s business in the Acquisition, please refer to the section headed “Relationship with Controlling Shareholders” in the Circular.

## **INFORMATION OF THE GROUP**

The principal business of the Group is the sale of refined oil products to vehicular end-users by operating petroleum refuelling stations, operation of CNG, LNG and LPG refuelling stations and mixed refuelling stations which sell CNG and LNG and provision of petroleum and gas transportation services in Jilin, Liaoning and Heilongjiang Provinces.



## **INFORMATION OF JIELI LOGISTICS**

Jieli Logistics, an indirect wholly-owned subsidiary of the Company, is primarily engaged in the operation and management of petroleum and gas transportation services in Jilin Province of the PRC.

## **APPROVAL OF THE BOARD**

The Board (including the independent non-executive Directors) has considered and approved the Petroleum and Liquefied Gas Transportation Service Agreement and the proposed annual caps under it. Save for Mr. Zhao and Mr. Liu, none of the Directors has any material interest in the Petroleum and Liquefied Gas Transportation Service Agreement. Mr. Zhao and Mr. Liu have abstained from voting in respect of the resolutions relating to the Petroleum and Liquefied Gas Transportation Service Agreement and the proposed annual caps under it.

Notwithstanding that Mr. Xu is a limited partner holding approximately 1.97% of interests in Changchun Shenglongshidai Investment Consulting Centre (Limited Partnership) (長春盛隆時代投資諮詢中心(有限合夥)), a 6.30% shareholder of Changchun Yitonghe, it is considered by the Board that Mr. Xu does not have a material interest in the Petroleum and Liquefied Gas Transportation Service Agreement and the transactions contemplated thereunder, and therefore he had not abstained from voting on in respect of the resolutions relating to the Petroleum and Liquefied Gas Transportation Service Agreement and the proposed annual caps under it.

## **DEFINITIONS**

“Acquisition”	acquisition of the entire issued share capital of Eternal Global Investments Limited pursuant to the Circular
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Changchun Yitonghe”	Changchun Yitonghe Petroleum Distribution Company Limited (長春伊通河石油經銷有限公司), a limited liability company established under the laws of PRC on 7 April 1997, which was owned as to 60.90% by Mr. Zhao, 12.34% by Ms. Xu, 8.23% by Mr. Liu, 0.82% by Mr. Wang Qingguo (王慶國先生), 7.63% by Changchun Rundeshidai Investment Consulting Centre (Limited Partnership) (長春潤德時代投資諮詢中心(有限合夥)), 6.30% by Changchun Shenglongshidai Investment Consulting Centre (Limited Partnership) (長春盛隆時代投資諮詢中心(有限合夥)), and 3.78% by Changchun Huizhongshidai Investment Consulting Centre (Limited Partnership) (長春滙眾時代投資諮詢中心(有限合夥)) as at the date of this announcement

“Changchun Yitonghe Related Company(ies)”	the company(ies) on behalf of which Changchun Yitonghe entered into the Petroleum and Liquefied Gas Transportation Service Agreement, namely, Jilin Province Songyuan Petrochemical Company Limited* (吉林省松原石油化工股份有限公司), Jilin Province United Strength Vehicle Services Chain Company Limited* (吉林省眾誠汽車服務連鎖有限公司) and Jilin Sino Gas Yitonghe Petroleum Sales Limited Liability Company* (吉林中油伊通河石油銷售有限責任公司)
“Circular”	the Company's circular dated 30 June 2020
“Company”	United Strength Power Holdings Limited (眾誠能源控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2337)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Jieli Logistics”	Jilin Province Jieli Logistics Company Limited (吉林省捷利物流有限公司), a limited liability company established under the laws of PRC on 21 April 2005, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Yingwu (劉英武先生), a substantial Shareholder and an executive Director
“Mr. Xu”	Mr. Xu Huilin (徐輝林先生), a non-executive Director
“Ms. Xu”	Ms. Xu Hang (徐航女士), a substantial Shareholder
“Mr. Zhao”	Mr. Zhao Jinmin (趙金岷先生), a Controlling Shareholder of the Company and an executive Director, chief executive officer and the Chairman of the Board

“Petroleum and Liquefied Gas Transportation Service Agreement”	the service agreement dated 11 June 2021 entered into between Jieli Logistics as service provider and Changchun Yitonghe (on behalf of the Changchun Yitonghe Related Companies) as service recipient in respect of the Provision of Petroleum and Liquefied Gas Transportation Service
“PRC”	The People’s Republic of China
“Provision of Petroleum and Liquefied Gas Transportation Service”	the provision of petroleum and liquefied gas transportation service at the relevant petroleum and liquefied gas refineries or facilities pursuant to the Petroleum and Liquefied Gas Transportation Service Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 11 June 2021

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

\* *For identification purpose only*