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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 REVISION OF ANNUAL CAPS FOR THE SUPPLY OF REFINED OIL PRODUCTS

BACKGROUND

Reference is made to the Circular in relation to, among others, the supply of refined oil products by the Group to United Strength Vehicle Service and the respective annual caps of the Refined Oil Products Supply Agreement mentioned therein. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

REVISION OF THE CURRENT ANNUAL CAPS

Pursuant to the Refined Oil Products Supply Agreement, the Group, through WFOE, supplies refined oil to United Strength Vehicle Service.

Based on the market conditions in 2020 and the estimates of the increasing demand of refined oil products and operating conditions of the petroleum refuelling stations operated by United Strength Vehicle Service, the Directors expect that the current annual caps in respect of supply of refined oil products by the Group to United Strength Vehicle Service for the years ending 2021 and 2022 will not be sufficient. Accordingly, the Company proposed to revise the annual caps for the supply of refined oil.

LISTING RULES IMPLICATIONS

Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Given (i) United Strength Vehicle Service was owned as to 45.1% by Changchun Yitonghe; (ii) it has been a customer of the Target Business; and (iii) United Strength Vehicle Service will grant the Group the non-exclusive right to use the trademark “” and trade name “眾誠連鎖”, United Strength Vehicle Service 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 proposed revised annual caps under the Refined Oil Products Supply Agreement, since the highest applicable percentage ratio exceeds 0.1% but less than 5%, the proposed revision of the annual caps is subject to reporting, announcement and annual review but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Circular in relation to, among others, the supply of refined oil products by the Group to United Strength Vehicle Service and the respective annual caps of the Refined Oil Products Supply Agreement mentioned therein.

Pursuant to the Circular, WFOE and United Strength Vehicle Service entered into the Refined Oil Products Supply Agreement, pursuant to which WFOE (whether by itself or through its subsidiaries) will supply refined oil products to United Strength Vehicle Service for a term of not more than three years from the Acquisition Completion to 31 December 2022.

CURRENT REFINED OIL PRODUCTS SUPPLY AGREEMENT

Date	:	26 June 2020
Parties	:	(1) WFOE (whether by itself or through its subsidiaries); and (2) United Strength Vehicle Service
Term	:	From the date of the Acquisition Completion to 31 December 2022.
Supply of refined oil products	:	WFOE agreed to supply refined oil products to United Strength Vehicle Service, in consideration for the payment of procuring refined petroleum products charges to the WFOE. WFOE is under no obligation to satisfy any demand for refined oil products on the part of United Strength Vehicle Service.

Determination of charges of refined oil products and other terms	:	The charges of refined petroleum products are determined by the parties (on arm's length basis and in good faith) with reference to prevailing market prices of refined oil products supplied by the WFOE to other Independent Third Parties. Pursuant to the "Measures for the Administration of Petroleum Prices" (《石油價格管理辦法》) promulgated by the National Development and Reform Commission on 13 January 2016, the adjustment guide prices are issued every 10 working days. Under this mechanism, the refined oil trading enterprises can, based on market conditions and under the premise of not exceeding the statutory price, determine (by itself or between the demand and supply side) the specific price.
Payment term	:	To be settled on or before the completion of each refined oil products transaction.

REVISION OF THE CURRENT ANNUAL CAPS

Since 30 June 2020, the sales generated from the petroleum refuelling stations under United Strength Vehicle Service has increased. Based on the market conditions in 2020, the estimates of the increasing demand refined oil products and operating conditions of the petroleum refuelling stations operated by United Strength Vehicle Service, the Directors expect that the current annual caps in respect of supply of refined oil by the Group to United Strength Vehicle Service for the years ending 2021 and 2022 will not be sufficient. Accordingly, the Company proposed to revise the annual caps for the supply of refined oil.

The below sets out the historical transaction amounts for the refined oil products charges incurred by United Strength Vehicle Service (including procurement from both the Group and other refined oil products suppliers) for the three years ended 31 December 2020 and the three months ended 31 March 2021:

	Year ended 31 December			Three months ended
	2018	2019	2020	31 March 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Refined oil products charge	56,633	29,439	60,012 ^(Note 1)	23,569 ^(Note 2)

Note 1: The amount of refined oil products charge for this year is inclusive of the amount incurred before the commencement of the Refined Oil Products Supply Agreement, the term of which only commenced from Acquisition Completion (i.e 24 August 2020).

Note 2: The amount of refined oil products charges for the three months ended 31 March 2021 includes the amount paid and/or payable to other refined oil products suppliers (approximately RMB16.0 million) and the amount incurred by United Strength Vehicle Service from the Group for this period (approximately RMB7.6 million). The amount of refined oil products charges incurred by United Strength Vehicle Service under the Refined Oil Products Supply Agreement has not exceeded the current annual cap of RMB17 million.

Taking into account the historical operating conditions of petroleum refuelling stations under United Strength Vehicle Service (including procurement from both the Group and other refined oil products suppliers), among which, (i) Jilin Province United Strength Automobile Service Chain Company Limited Gongzhuling Service Area North Area Petroleum Station (吉林省眾誠汽車服務連鎖有限公司公主嶺服務區北區加油站) (“**Gongzhuling North Station**”) incurred approximately RMB1.7 million, RMB32.6 million and RMB12.5 million of refined oil products charge for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, respectively; and (ii) Jilin Province United Strength Automobile Service Chain Company Limited Gongzhuling Service Area Southern Area Petroleum Station (吉林省眾誠汽車服務連鎖有限公司公主嶺服務區南區加油站) (“**Gongzhuling South Station**”) and together with Gongzhuling North Station, the “**Gongzhuling Stations**”) incurred approximately RMB1.5 million, RMB14.5 million and RMB8.3 million of refined oil products charge for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, respectively, the current annual caps and the proposed revised annual caps for the years ending 31 December 2021 and 2022 are set out below:

	Year ending 31 December	
	2021	2022
	RMB'000	RMB'000
Refined oil products charge (current annual caps)	17,000	17,000
Refined oil products charge (proposed revised annual caps)	60,000	60,000

As at the date of this announcement, the transaction amounts under the Refined Oil Products Supply Agreement has not exceeded the current annual caps.

In determining the above proposed revised annual caps, the Directors have considered generally: (a) the above historical transaction amounts; (b) the market conditions in 2020; (c) the expected demand of refined oil products from United Strength Vehicle Service for the two years ending 31 December 2022; and (d) the anticipated market prices of refined oil products having regard to the fluctuation of petroleum market price.

REASONS FOR AND BENEFITS OF THE REFINED OIL PRODUCTS SUPPLY AGREEMENT AND THE REVISED ANNUAL CAPS

As at the date of this announcement, United Strength Vehicle Service operates four petroleum refuelling stations in the cities of Changchun, Jilin and Siping in Jilin Province. As United Strength Vehicle Service has been one of the Target Business’s customers, the WFOE Group supplies refined oil products to United Strength Vehicle Service for the operation of its petroleum refuelling stations.

Due to (i) the re-commencement of the Jingha Expressway (京哈高速公路) which connects major cities in Northeastern Provinces such as Beijing, Shenyang, Changchun and Harbin, in September 2020, in which the Gongzhuling Stations will be one of the major spots for petroleum oil products supply for this expressway; and (ii) the increase in marketing efforts at the Gongzhuling Stations, the Directors expect that the current annual caps in respect of the supply of refined oil by the Group to United Strength Vehicle Service for the years ending

31 December 2021 and 2022 will not be sufficient. In light of the anticipated rising demand and expected sales from petroleum refuelling stations under United Strength Vehicle Service as mentioned above, the Directors are of the view that an increase in the annual caps for the Refined Oil Products Supply Agreement enable the Group to capture more sales from these transactions. As such, the Company proposed to revise the annual caps for the supply of refined oil.

The Directors (including the independent non-executive Directors), after reviewing the terms of the Refined Oil Products Supply Agreement, are of the view that the Refined Oil Products Supply Agreement 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 Refined Oil Products Supply Agreement as well as the respective proposed revised annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Given (i) United Strength Vehicle Service was owned as to 45.1% by Changchun Yitonghe; (ii) it has been a customer of the Target Business; and (iii) United Strength Vehicle Service will grant the Group the non-exclusive right to use the trademark “” and trade name “眾誠連鎖”, United Strength Vehicle Service 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 proposed revised annual caps under the Refined Oil Products Supply Agreement, since the highest applicable percentage ratio exceeds 0.1% but less than 5%, the proposed revision of the annual caps is subject to reporting, announcement and annual review but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

INFORMATION OF UNITED STRENGTH VEHICLE SERVICE

United Strength Vehicle Service is a limited liability company established under the laws of the PRC, which 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), an Independent Third Party, and Changchun Yitonghe respectively as at the date of this announcement. United Strength Vehicle Service is principally engaged in the operation and management of petroleum refuelling stations in Jilin Province.

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.

APPROVAL OF THE BOARD

The Board (including the independent non-executive Directors) has considered and approved the proposed revision of annual caps under the Refined Oil Products Supply Agreement. Save for Mr. Zhao, none of the Directors has any material interest in the Refined Oil Products Supply Agreement. Mr. Zhao has abstained from voting in respect of the resolutions for the proposed revision of the annual caps.

DEFINITIONS

“Acquisition Completion”	completion of the acquisition of the entire issued share capital of Eternal Global Investments Limited pursuant to the Circular
“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. QG Wang, 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
“Circular”	the circular of the Company 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Yingwu (劉英武先生), a Shareholder and an executive Director
“Mr. QG Wang”	Mr. Wang Qingguo (王慶國先生), a Shareholder and a former executive Director
“Mr. Zhao”	Mr. Zhao Jinmin (趙金岷先生), a Controlling Shareholder of the Company and an executive Director and the Chairman of the Board
“PRC”	The People’s Republic of China
“Refined Oil Products Supply Agreement”	the agreement dated 26 June 2020 and entered into between WFOE and United Strength Vehicle Service, pursuant to which United Strength Vehicle Service will procure refined oil products from subsidiaries of the WFOE
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“WFOE”	Changchun United Strength Power Company Limited* (長春眾誠能源有限公司), a limited liability company established under the laws of PRC on 6 November 2018 with limited liabilities, which is a wholly owned subsidiary of the Company
“Yitonghe Group”	Changchun Yitonghe and its subsidiaries from time to time
“%”	per cent

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

Hong Kong, 27 April 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.