Innovax Capital

8 December 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS – (1) THE 2026 PETROLEUM SUPPLY AGREEMENT; AND (2) THE 2026 REFINED OIL PRODUCTS SUPPLY AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2026 Petroleum Supply Agreement, the 2026 Refined Oil Products Supply Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular (the "**Circular**") issued by the Company to the Shareholders dated 8 December 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement (the "**Announcement**") of the Company dated 5 December 2025. As (1) the Petroleum Supply Agreement and (2) the Refined Oil Products Supply Agreement will expire on 31 December 2025 and the Group expects to continue to carry on the transactions contemplated thereunder upon their expiry, on 5 December 2025 (after trading hours), the Company entered into (1) the 2026 Petroleum Supply Agreement with Songyuan Petrochemical; and (2) the 2026 Refined Oil Products Supply Agreement with United Strength Vehicle Service for a term from 1 January 2026 and ending on 31 December 2028.

Regarding the 2026 Petroleum Supply Agreement, Mr. Zhao, one of the Controlling Shareholders, owned more than 30% of the registered capital in Changchun Yitonghe. Given Songyuan Petrochemical was owned as to 97.87% by Changchun Yitonghe, Songyuan Petrochemical 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 Chapter 14A of the Listing Rules) in respect of the 2026 Petroleum Supply Agreement exceed(s) 5%, the 2026 Petroleum Supply Agreement constitutes non-exempt continuing connected transactions for the Company and is subject to reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Regarding the 2026 Refined Oil Products Agreement, 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 Group; 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. As one or more of the applicable percentage ratios (as defined under Chapter 14A of the Listing Rules) in respect of the 2026 Refined Oil Products Supply Agreement exceed(s) 5%, the 2026 Refined Oil Products Supply Agreement constitutes non-exempt continuing connected transactions for the Company and is subject to reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Changchun Yitonghe was owned as to approximately 60.90% by Mr. Zhao, 12.34% by Ms. Xu, 8.23% by Mr. Liu and 0.82% by Mr. QG Wang as at the Latest Practicable Date. As each of Mr. Zhao and Mr. Liu has or may be regarded as having a material interest in the 2026 Petroleum Supply Agreement and the 2026 Refined Oil Products Supply Agreement, each of them has abstained from voting in the relevant Board meeting. Save for the abstentions of Mr. Zhao and Mr. Liu, no other Director has or may be regarded to have a material interest in the transactions and therefore no other Director is required to abstain from voting at the Board meeting approving the transactions contemplated under the 2026 Petroleum Supply Agreement and the 2026 Refined Oil Products Supply Agreement.

The Company will convene the EGM to consider and, if thought fit, pass the resolutions to approve, amongst others, (i) the 2026 Petroleum Supply Agreement and the transactions contemplated thereunder (including the annual caps); and (ii) the 2026 Refined Oil Products Supply Agreement and the transactions contemplated thereunder (including the annual caps). All Shareholders who have a material interest in the 2026 Petroleum Supply Agreement and the 2026 Refined Oil Products Supply Agreement will be required to abstain from voting on the relevant resolutions at the EGM. Changchun Yitonghe was owned as to approximately 60.90% by Mr. Zhao, 12.34% by Ms. Xu, 8.23% by Mr. Liu and 0.82% by Mr. QG Wang as at the Latest Practicable Date and Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang were interested in 209,829,240 Shares, 37,931,400 Shares, 27,287,600 Shares and 1,758,760 Shares respectively, which in aggregate representing approximately 73.91% of the issued shares of the Company as at the Latest Practicable Date. Therefore, each of Mr. Zhao, Ms. Xu, Mr. Liu and Mr. QG Wang shall abstain and will procure their respective associates to abstain from voting on the resolutions at the EGM.

The Independent Board Committee comprising all three independent non-executive Directors, namely Ms. Su Dan, Mr. Lau Ying Kit and Mr. Zhang Zhifeng, has been established to provide advice to the Independent Shareholders in respect of the 2026 Petroleum Supply Agreement, the 2026 Refined Oil Products Supply Agreement and the transactions contemplated thereunder.

We, Innovax Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the 2026 Petroleum Supply Agreement, the 2026 Refined Oil Products Supply Agreement and the transactions contemplated thereunder. During the last two years, we were engaged as an independent financial adviser to the Company in respect of financial assistance provided by the Group to a connected person (details can be referred to the announcement of the Company dated 9 May 2024 and the circular of the Company dated 31 May 2024). Under such engagement, we were required to express our opinion on and to give recommendations to the independent board committee and the independent shareholders of the Company in respect of the relevant transactions. Apart from professional fees payable to us by the Company in connection with these appointments, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or the Directors, chief executive and substantial Shareholders of the Company or any of their respective subsidiaries or associates or any other parties that could reasonable be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on, among other things, (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group.

We consider that we have reviewed sufficient information currently available to reach an informed view, to justify our reliance on the accuracy of the information contained in this Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in this Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons:

1. Information of the Group

Business of the Group

The principal business of the Group is the distribution of petroleum and/or oil to vehicular end-users by operating petroleum refuelling stations, sales of petroleum products, 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 and Heilongjiang Provinces.

Financial information of the Group

The table below summarises financial information of the Group for the six months ended 30 June 2024 ("**6M2024**") and 2025 ("**6M2025**") and for the years ended 31 December 2022 ("**FY2022**"), 2023 ("**FY2023**") and 2024 ("**FY2024**") as extracted from the interim report for six months ended 30 June 2024 (the "**2024 Interim Report**") and 2025 (the "**2025 Interim Report**") and the annual report for the year ended 31 December 2023 (the "**2023 Annual Report**") and 2024 (the "**2024 Annual Report**") of the Company.

	For the year ended/ As at 31 December			For the six months ended/As at 30 June	
	2024	**2023**	**2022**	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	7,724,326	7,346,895	6,089,366	3,082,015	3,839,411
– *Sales of refined oil and natural gas*	7,649,114	7,278,898	6,031,596	3,050,316	3,801,604
– *Others*	75,212	67,997	57,770	31,699	37,807
Gross profit	439,850	422,263	393,102	151,299	212,028
Net profit/(loss) for the year	70,656	43,304	18,951	(5,832)	27,940
Total assets	1,877,283	1,914,596	1,555,454	2,434,562	1,681,263
Total liabilities	1,329,328	1,402,489	1,087,830	1,907,200	1,167,682
Net assets	547,955	512,107	467,624	527,362	513,581

According to the 2025 Interim Report, the Group's revenue decreased by approximately 19.7% in 6M2025. Such decrease in revenue was mainly due to the decrease in market demand as a result of more vehicle customers having shifted to use new energy vehicles during 6M2025. The decrease in gross profit and net profit for the period were mainly attributable to the decrease in revenue.

According to the 2024 Annual Report, the Group's revenue increased by approximately 5.1% in FY2024. Such increase in revenue was mainly due to the increase in market demand of petroleum products as a result of (i) the expansion of customer based of refined oil business; (ii) the distribution of consumption vouchers by local government; and (iii) the post-COVID normalisation of economic activities in Northeastern China during 2024. The increase in gross profit and net profit for the year were mainly attributable to the increase in revenue.

According to the 2023 Annual Report, the Group's revenue increased by approximately 20.7% in FY2023. Such increase in revenue was mainly attributable to the Group's sales of refined oil and natural gas, which recorded an increase of approximately 20.7% from approximately RMB6,031.6 million for FY2022 to approximately RMB7,278.9 million for FY2023, mainly due to the increase in market demand of petroleum products following the post-COVID normalisation of economic activities in Northeastern China during 2023. The increase in gross profit and net profit for the year were mainly attributable to the increase in revenue.

As at 30 June 2025, 31 December 2024, 2023 and 2022, the Group's total assets were mainly property, plant and equipment and prepayments, deposits and other receivables and restricted cash while total liabilities were mainly bank and other loans, accrued expenses, other payables and contract liabilities, and lease liabilities. The Group's net assets as at each of the period or year end dates remained relatively stable.

2. Information of Songyuan Petrochemical

Songyuan Petrochemical is a limited liability company established under the laws of the PRC, which 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) (an Independent Third Party). 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. QG Wang, 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)) (**"Changchun Rundeshidai"**), as to approximately 6.30% by Changchun Shenglongshidai, 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)) (**"Changchun Huizhongshidai"**) as at the Latest Practicable Date. The shareholders of Changchun Rundeshidai, Changchun Shenglongshidai and Changchun Huizhongshidai are employees of the companies controlled by Mr. Zhao, amongst which, one employee is also daughter of Mr. Zhao. The principal business of these companies is investment holding as these companies are set up as an incentive and for the benefits of the welfare of the employees of companies controlled by Mr. Zhao who are provided with the possible opportunities to become a shareholder of Changchun Yitonghe.

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.

3. Information of United Strength Vehicle

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) (**"Beijing Zhonghui"**), an Independent Third Party, and Changchun Yitonghe respectively as at the Latest Practicable Date. United Strength Vehicle Service is principally engaged in the operation and management of petroleum refuelling stations in Jilin Province.

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 Latest Practicable Date, 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.

4. The 2026 Petroleum Supply Agreement

(i) The reasons for and benefits of the 2026 Petroleum Supply Agreement

As set out in the Letter from the Board, the Directors consider that notwithstanding that there are other petroleum suppliers in the market, the 2026 Petroleum Supply Agreement, pursuant to which the pricing of the petroleum charge will be determined by the parties (on arm's length and in good faith) with reference to prevailing market price of petroleum supplied by Songyuan Petrochemical to other Independent Third Party suppliers, will provide the Group's petroleum refuelling stations with a stable source of petroleum supply as a safeguard against any potential disruption of supply of petroleum by the Independent Third Party suppliers.

(ii) Principal terms of the 2026 Petroleum Supply Agreement

Set out below are the principal terms of the 2026 Petroleum Supply Agreement.

Date:	5 December 2025
Parties:	Songyuan Petrochemical (as supplier); and WFOE (as customer)
Term:	Three years from 1 January 2026 and ending on 31 December 2028
Products to be supplied:	Refined oil products
Determination of refined oil products charge:	The refined oil products charge will be determined by the parties (on arm's length and in good faith) with reference to prevailing market price of petroleum supplied by Songyuan Petrochemical to other Independent Third Parties, as well as comparison of procurement price of the refined oil products from other Independent Third Parties suppliers to the Group.

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. To ensure the pricing terms of the 2026 Petroleum Supply Agreement are fair and reasonable, the Group would obtain not less than two quotations for comparison between the purchase price of refined oil products offered by Songyuan Petrochemical to the Group and the prices offered by Independent Third Party to ensure the price would be similar and not higher than those purchasing from Independent Third Parties for such comparable product type at the relevant time.

Payment term: WFOE (or the relevant subsidiaries of the Group) shall pay the refined oil products charge at the end of each month.

In assessing the fairness and reasonableness of the terms of the 2026 Petroleum Supply Agreement, we have discussed with the Management regarding the terms of the continuing connected transactions (in particular, the pricing terms) contemplated thereunder, and were advised that the purchase price of refined oil and by-products offered by Songyuan Petrochemical to WFOE were determined with reference to the selling price quoted from the NDRC (the "**National Development and Reform Commission**") of the PRC and the prevailing market price, respectively. The Management advised us that the purchase price of refined oil and by-products from Songyuan Petrochemical were not higher than that offered by independent third party suppliers for the comparable product type at the relevant time.

In this regard, we have obtained and reviewed 3 sets of sample trading records (including but not limited to the invoice, sales contracts and payment record) provided by the Group in respect of the purchase of refined oil and by-products by WFOE from Songyuan Petrochemical and the independent third parties for each of the two years ended 31 December 2024 and the eight months ended 31 August 2025. Based on our sample review on the trading records, we noted that the purchase price of refined oil products offered by Songyuan Petrochemical to WFOE were similar and not higher than those purchasing from independent third parties for such comparable product type at the relevant time. Therefore, we are of the view that the pricing terms of the 2026 Petroleum Supply Agreement are fair and reasonable.

Given that (1) the objective of our review on transaction samples is to obtain an understanding on the transaction process between the Group and Songyuan Petrochemical or independent third parties and the implementation of the pricing policies; (2) the said samples covered each of the years under the 3-year period contemplated under the existing Petroleum Supply Agreement, which are considered representative and enable us to understand the Group's transaction process; (3) the transactions contemplated under the existing Petroleum Supply Agreement are recurring in nature with large transaction volume and hence, the transactions processes of which are standardised and are reasonably expected to be represented by the said samples; and (4) our review of samples is to be satisfied that there are comparable transactions available for determining the fairness and reasonableness of the transaction terms and prices with Songyuan Petrochemical and hence, the pricing policy has been implemented, we consider the said sample documents reviewed are fair and representative that suffice for us to gain the relevant understanding.

The Management further advised us that the selling price of refined oil is determined by the parties with reference to the NDRC Quoted Average Price quoted from NDRC, whereas the purchase price of refined oil products is determined with reference to the prevailing market price. Having considered the facts that (i) the terms of the 2026 Petroleum Supply Agreement were negotiated based on normal commercial terms; (ii) the purchase price of refined oil products payable by WFOE to Songyuan Petrochemical shall be determined by the parties (on arm's length and in good faith) with reference to prevailing market price of petroleum supplied by Songyuan Petrochemical to other Independent Third Parties, and the selling price of refined oil and by-products is determined with reference to the NDRC Quoted Average Price and the prevailing market price, respectively, we consider that the terms of the 2026 Petroleum Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(iii) The proposed annual caps under the 2026 Petroleum Supply Agreement

Below sets forth the proposed annual caps for the three years ending 31 December 2028 for the transactions under the 2026 Petroleum Supply Agreement.

	Year ending 31 December		
	2026	**2027**	**2028**
	RMB million	*RMB million*	*RMB million*
Proposed annual caps	3,083	3,561	4,113

As set out in the Letter from the Board, the proposed annual caps were determined by the Directors after considering (a) the historical amount of refined products purchased from Songyuan Petrochemical; (b) the anticipated market prices of petroleum and the fluctuation of refined oil products market price in the past four years with an estimated increment buffer of 10% per annum; (c) the anticipated purchase volume of refined oil products in the past four years with an estimated increment buffer of 5% per annum; and (d) WFOE's demand for the refined oil products supply from Songyuan Petrochemical by taking into account its target to maintain supply of not more than 40% of the WFOE's total refined oil products procurement amount for each year with a view to striking a balance between maintaining stable refined oil products supply and over relying on a connected supplier.

To assess the reasonableness of the proposed annual caps, we have reviewed the existing annual caps and the historical transaction amount under the Petroleum Supply Agreement, as set out below.

	Year ended/ending 31 December			
	2023	**2024**	**2025**	**2025**
	RMB million	*RMB million*	*RMB million*	*RMB million (Annualised)*
Existing annual caps	2,700	3,200	3,900	3,900
Historical transaction amount	2,582	2,932	1,396*note 1*	2,094*note 2*
Utilisation	95.6%	91.6%	35.8%	53.7%

Note 1: The amount represented the historical transaction amount for the eight months ended 31 August 2025.

Note 2: The amount represented the annualised transaction amount based on the historical transaction amount for the eight months ended 31 August 2025.

Based on the table above, we noted that the utilisation rates of the historic annual caps in respect of the years ended 31 December 2023 and 2024 remained high at 95.6% and 91.6% respectively. Based on the transaction amount for the eight months ended 31 August 2025, it is projected that the transaction amount for the year ending 31 December 2025 will be approximately RMB2,094 million, which represented only 53.7% of the existing annual cap for the year ending 31 December 2025. As discussed with the Management, the decrease in utilisation rate of the existing annual cap for the year ending 31 December 2025 was mainly attributable to the decrease in market demand as a result of more vehicle customers having shifted to use new energy vehicles and the decrease in purchase of refined oil products from Songyuan Petrochemical from approximately 38% to 42% of total procurement for 2023 to 2024 to approximately 33% of total procurement for the eight months ended 31 August 2025.

In relation to the proposed annual caps, as advised by the Management, the expected low utilisation rate of the existing annual caps for the year ending 31 December 2025 was taken into consideration in determining the proposed annual caps. We noted that the proposed annual cap for the year ending 31 December 2026 of RMB3,083 million represented a notable decrease of approximately 20.9% as compared to the existing annual cap for the year ending 31 December 2025. Nevertheless, the proposed annual cap for the year ending 31 December 2026 still represented an increase of approximately 47% as compared to the relevant annualised transaction amount with Songyuan Petrochemical for the same year and the Company expects an increase of 15.5% in proposed annual cap for each of the year ending 31 December 2027 and 2028. As further elaborated by the Management, such increase was mainly to provide room for the Group's plan to increase the level of procurement of refined oil products from Songyuan Petrochemical from approximately 33% of total procurement for the eight months ended 31 August 2025 to approximately 40% of total procurement for each of the three years ending 31 December 2028, and the expected recovery of demand for refined oil products and the volatility of crude oil price.

As advised by the Management, it is the Company's strategy to maintain supply of not more than 40% of the WFOE's total refined oil products procurement amount for each year with a view to striking balance between maintaining stable refined oil products supply and over relying on a connected supplier. Based on our discussion with Management, by maintaining supply of not more than 40% of total refined oil products procurement amount with Songyuan Petrochemical, we understand that (1) the Group would be able to maintain substantial business relationships with both Songyuan Petrochemical and other independent suppliers for potential alternative purchases; (2) the Group's purchase of refined oil products would not be dominated by Songyuan Petrochemical; (3) the Group would be able to purchase a material amount of refined oil products at favourable prices from Songyuan Petrochemical. Based on the foregoing and considering the purchase price of refined oil products from Songyuan Petrochemical will be similar and not higher than those purchasing from independent third parties for such comparable product type at the relevant time, we are of the view that maintaining supply of not more that 40% of the total procurement amount from Songyuan Petrochemical is not unreasonable. The increase in such procurement proportion is expected to contribute to an increase of approximately 21% of transaction amount regarding the purchase by the Group from Songyuan Petrochemical as contemplated under the 2026 Petroleum Supply Agreement.

Regarding the demand of refined oil products, we have conducted our research on the fuel vehicle market in China, which reflects the consumption trend of refined oil products. Based on our research, we noted that the market share of traditional fuel vehicle had been continuously taken up by electric vehicle in China in past few years. Nonetheless, based on latest statistics[1] published by the China Association of Automobile Manufacturers, the sales of traditional fuel vehicles have rebound and showed four consecutive year-on-year growth for June, July, August and September 2025. In particular, the respective year-on-year growth for June, July and September 2025 were approximately 7.7%, 8.4% and 9.1% and in August 2025, the sales of traditional fuel vehicle had recorded double-digit year-on-year growth of 12.9%. This implies that the market of traditional fuel vehicle remained resilient

[1] http://www.caam.org.cn/chn/4/cate_154/con_5236802.html,
https://finance.sina.com.cn/jjxw/2025-08-12/doc-infksvhi3496956.shtml?froms=ggmp,
https://www.199it.com/archives/1785340.html,
http://www.caam.org.cn/chn/1/cate_30/con_5236902.html

in China. Therefore, it is not unreasonable for the Company to anticipate the recovery of demand in refined oil products in near future.

Further, we have also conducted our research on the crude oil prices. Based on Brent crude oil index from Trading Economics[2], we noted that the crude oil price demonstrated a decreasing trend since mid-2022. However, we understand that the crude oil price is highly volatile and is affected primarily by the supply from oil producing countries, the decision of Organisation of Petroleum Exporting Countries (OPEC) and the geopolitical tension. For example, pursuant to the Brent crude oil index, the oil price was approximately USD66 per barrel by the end of August 2025. Historically, the oil price was also at USD66 per barrel in February 2021. Afterwards, the oil price maintained an increasing trend for more than one year and climbed up to USD119 per barrel in June 2022, representing a significant increase of approximately 80%, primarily attributable to post-COVID economic recovery and Russo-Ukrainian conflicts. This shows that the magnitude of oil price fluctuation can be significant and the effect can be long-lasting. In addition, regarding the consumption trend of refined oil products, based on Wood Mackenzie[3], a reputable research company specialised in energy sector, the global demand on oil would not reach its peak until 2032, mainly driven by population growth and industrial recovery. Considering the volatility of crude oil price and the growing demand in crude oil, it is not unreasonable for the Management to provide a buffer to cater for the possible increase oil price.

Based on the above, taking into account (1) the increase in the procurement proportion to 40% is expected to contribute to an increase of approximately 21% of transaction amount regarding the purchase by the Group from Songyuan Petrochemical; (2) the monthly sales of traditional fuel vehicles showed consecutive year-on-year growth during June to September 2025 with growth rate up to 12.9%, which supported the anticipation of recovery of demand on refined oil products; and (3) the volatility of oil price and the fact that the magnitude of oil price fluctuation can be significant and the effect can be long-lasting, we are of the view that it is not unreasonable for the Company to determine the proposed annual cap for the year ending 31 December 2026 which represented an increase of approximately 47% as compared to the annualised transaction amount for the year ending 31 December 2025.

In relation to the anticipated growth of proposed annual cap of 15.5% per year, pursuant to our discussion with Management, it was mainly to provide room for the potential increase in demand on refined oil products and the potential volatility of oil price. Given (1) the recovery of demand on refined oil products was supported by the recent growth in monthly sales of traditional fuel vehicles up to a year-on-year growth of 12.9%; and (2) the volatility of oil price and the fact that the magnitude of oil price fluctuation (e.g. up to 80% during 2021 and 2022) can be significant and the effect can be long-lasting (e.g. more than one year), we are of the

2 http://tradingeconomics.com/commodity/brent-crude-oil

3 https://www.ecofinagency.com/news-industry/3010-49967-wood-mackenzie-forecasts-strong-global-oil-demand-through-2032

view that it is not unreasonable for the Company to determine an increase of 15.5% in the proposed annual caps for each of the year ending 31 December 2027 and 2028.

Taking into account the fact that (i) the Company had significantly reduced the proposed annual caps due to the low utilisation rate of the existing annual cap for the year ending 31 December 2025; (ii) the increase in the procurement proportion to 40% is expected to contribute to an increase of approximately 21% of transaction amount regarding the purchase by the Group from Songyuan Petrochemical; (iii) it is not unreasonable to anticipate the recovery of demand in refined oil products since the market of traditional fuel vehicle remained resilient in China; (iv) the crude oil price is highly volatile and global oil demand would continue to be driven by population growth and industrial recovery; and (v) the aforesaid factors were considered when determining the proposed annual cap for the year ending 31 December 2026 and the growth in the proposed annual caps for the years ending 31 December 2027 and 2028, we are of the view that the proposed annual caps under the 2026 Petroleum Supply Agreement are fair and reasonable.

5. The 2026 Refined Oil Products Supply Agreement

(i) The reasons for and benefits of the 2026 Refine Oil Products Supply Agreement

As set out in the Letter from the Board, United Strength Vehicle Service operates 1 petroleum refuelling stations in the city of Jilin in Jilin Province as at the Latest Practicable Date. As United Strength Vehicle Service has been one of the Group's customers, the Group supplies refined oil products to United Strength Vehicle Service for the operation of its petroleum refuelling stations.

Notwithstanding Songyuan Petrochemical also sells refined oil products, United Strength Vehicle Service did not acquire the relevant refined oil products directly from Songyuan Petrochemical, in the light that (1) Songyuan Petrochemical does not engage in refined oil products retail business; and (2) the closer proximity of supply of refined oil products by WFOE than that of Songyuan Petrochemical.

(ii) Principal terms of the 2026 Refined Oil Products Supply Agreement

Set out below are the principal terms of the 2026 Refined Oil Products Supply Agreement.

Date:	5 December 2025
Parties:	WFOE (as supplier); and United Strength Vehicle Service (as customer)
Term:	Three years from 1 January 2026 and ending on 31 December 2028

Products to be supplied:	Refined oil products
Determination of refined oil products charge:	The charges of refined oil 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 Group to other Independent Third Parties, as well as comparison of selling price of the refined oil products from other Independent Third Parties to United Strength Vehicle Service. 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. To ensure the pricing terms of 2026 Refine Oil Products Supply Agreement are fair and reasonable, the Group would also obtain not less than two quotations for comparison between the selling price of refined oil products sold to United Strength Vehicle Service by the Group and the prices offered by Independent Third Parties to ensure the price would be similar and not lower than those sold to Independent Third Parties for such comparable product type at the relevant time.
Payment term:	To be settled on or before the delivery of each refined oil products transaction.

In assessing the fairness and reasonableness of the terms of the 2026 Refined Oil Products Supply Agreement, we have discussed with the Management regarding the terms of the continuing connected transactions (in particular, the pricing terms), and were advised that the selling price of refined oil and by-products sold to United Strength Vehicle Service by the WFOE were determined with reference to the selling price quoted from the NDRC of the PRC and the prevailing market price, respectively. The management advised us that the selling price of refined oil and by-products to United Strength Vehicle Service were not lower than that offered to independent third party customers for the comparable product type at the relevant time.

In this regard, we have obtained and reviewed 3 sets of sample trading records (including but not limited to the invoice, sales contracts and payment record) provided by the Group in respect of the sale of refined oil and by-products of

WFOE to United Strength Vehicle Service and the independent third parties for each of the two years ended 31 December 2024 and the eight months ended 31 August 2025. Based on our sample review on the trading records, we noted that the selling price of refined oil products sold to United Strength Vehicle Service by the WFOE were similar and not lower than those sold to independent third parties for such comparable product type at the relevant time. Therefore, we are of the view that the pricing terms of the 2026 Refined Oil Products Supply Agreement are fair and reasonable.

Given that (1) the objective of our review on transaction samples is to obtain an understanding on the transaction process between the Group and United Strength Vehicle Service or independent third parties and the implementation of the pricing policies; (2) the said samples covered each of the years under the 3-year period contemplated under the existing Refined Oil Products Supply Agreement, which are considered representative and enable us to understand the Group's transaction process; (3) the transactions contemplated under the existing Refined Oil Products Supply Agreement are recurring in nature with large transaction volume and hence, the transactions processes of which are standardised and are reasonably expected to be represented by the said samples; and (4) our review of samples is to be satisfied that there are comparable transactions available for determining the fairness and reasonableness of the transaction terms and prices with United Strength Vehicle Service and hence, the pricing policy has been implemented, we consider the said sample documents reviewed are fair and representative that suffice for us to gain the relevant understanding.

The Management further advised us that the selling price of refined oil product is determined by the parties with reference to the NDRC Quoted Average Price quoted from NDRC, whereas the selling price of refined oil products is determined with reference to the prevailing market price. Having considered the facts that (i) the terms of the 2026 Refined Oil Products Supply Agreement were negotiated based on normal commercial terms; (ii) the selling price of refined oil products from WFOE to United Strength Vehicle Service shall be determined by the parties (on arm's length and in good faith) with reference to prevailing market price of refined oil products supplied by WFOE to other Independent Third Parties, and the selling price of refined oil and by-products is determined with reference to the NDRC Quoted Average Price and the prevailing market price, respectively, we consider that the terms of the 2026 Refined Oil Products Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(iii) The proposed annual caps under the 2026 Refined Oil Products Supply Agreement

Below sets forth the proposed annual caps for the three years ending 31 December 2028 for the transactions under the 2026 Refined Oil Products Supply Agreement.

	Year ending 31 December		
	2026	**2027**	**2028**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual caps	50,000	55,000	60,000

As set out in the Letter from the Board, the proposed annual caps were determined by the Directors after considering (a) the historical amount of refined products purchased from Songyuan Petrochemical; (b) the expected demand of refined oil products for the three years ending 31 December 2028; and (c) the anticipated market prices of refined oil products having regard to the fluctuation of petroleum market price.

To assess the reasonableness of the proposed annual caps, we have reviewed the existing annual caps and the historical transaction amount in relating to the sale of refined oil products to United Strength Vehicle Service, as set out below.

	Year ended/ending 31 December			
	2023	**2024**	**2025**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Annualised)*
Existing annual caps	60,000	70,000	80,000	80,000
Historical transaction amount	18,430	47,540	17,690*note 1*	26,535*note 2*
Utilisation	30.7%	67.9%	22.1%	33.2%

Note 1: The amount represented the historical transaction amount for the eight months ended 31 August 2025.

Note 2: The amount represented the annualised transaction amount based on the historical transaction amount for the eight months ended 31 August 2025.

Based on the table above, we noted that the utilisation rate of the historical annual cap for the year ended 31 December 2023 was low. The utilisation rate then climbed to 67.9% for the year ended 31 December 2024 but it dropped again during the year ending 31 December 2025 as a result of decrease in demand in refined oil products from United Strength Vehicle Service due to suspension of operation of one of its gas stations during 2025. As discussed with Management, they understand that United Strength Vehicle Service plans to commence the operation of a new gas station in first half of 2026. In relation to the proposed annual caps, as advised by the Management, the low utilisation rate of the existing annual caps for the year ending 31 December 2025 was taken into consideration in determining the proposed annual caps. We noted that the Company had significantly reduced the 3-year annual caps by approximately 16.7% to 25.0% from RMB60 million, RMB70 million and RMB80 million for the three years ending 31 December 2025 to RMB50 million, RMB55 million and RMB60 million for the three years ending 31 December 2028. Nevertheless, the proposed annual cap for the year ending 31 December 2026 still exceeded the annualised transaction amount with United Strength Vehicle Service for the same year by 88.4% and the Company expects an increase of approximately 10% in proposed annual cap for each of the year ending 31 December 2027 and 2028.

As further elaborated by the Management, when the proposed annual caps were determined, they had considered the fact that the Group's sales to United Strength Vehicle Service was RMB47.5 million for the year ended 31 December 2024, which would represent a reasonable utilisation of the proposed annual caps of RMB50 million, RMB55 million and RMB60 million for the three years ending 31 December 2028. We also consider that the transaction amount for the year ended 31 December 2024 was a reasonable reference given (1) the Group's sales to United Strength Vehicle Service during 2025 was disrupted by the suspension of operation of one of the gas stations of United Strength Vehicle Service; (2) the Management understands that United Strength Vehicle Service would commence the operation of a new gas station of similar scale in first half of 2026 and hence, part of the demand from United Strength Vehicle Service on the Group's refined oil products would be recovered. The proposed annual cap for the year ending 31 December 2026 represented an increase of only 5.2% as compared to the historical transaction amount for the year ended 31 December 2024. While the operation of the new gas station is not expected to have full year impact on the Group' sales to United Strength Vehicle Service in 2026, the proposed annual cap for the year ending December 2026 was also to provide room for the expected recovery of demand for refined oil products and the volatility of crude oil price as elaborated in paragraphs headed "*4. The 2026 Petroleum Supply Agreement — (iii) The proposed annual caps under the 2026 Petroleum Supply Agreement*" above. Having considered (1) the proposed annual cap for the year ending 31 December 2026 represented an increase of only 5.2% as compared to the historical transaction amount for the year ended 31 December 2024; (2) the recovery of demand for refined oil products is supported by the recent growth in sales of traditional fuel vehicles; and (3) the volatility of oil price, we are of the view that it is not unreasonable for the Company to determine the proposed annual cap for the year ending 31 December 2026 which represented an increase of approximately 88.4% as compared to the annualised transaction amount for the year ending 31 December 2025.

In relation to the anticipated growth of proposed annual cap of approximately 10% per year, pursuant to our discussion with Management, it was mainly prepared for the potential increase in demand on refined oil products and the potential volatility of oil price. Given (1) the new gas station of United Strength Vehicle Service is expected to operate in full in 2027 and 2028; (2) the recovery of demand on refined oil products was supported by the recent growth in monthly sales of traditional fuel vehicles up to a year-on-year growth of 12.9%; and (3) the volatility of oil price and the fact that the magnitude of oil price fluctuation (e.g. up to 80% during 2021 and 2022) can be significant and the effect can be long-lasting (e.g. more than one year), we are of the view that it is not unreasonable for the Company to determine an increase of approximately 10% in the proposed annual caps for each of the year ending 31 December 2027 and 2028.

Taking into account the fact that (i) the Company had significantly reduced the proposed annual caps due to the low utilisation rate of the existing annual cap; (ii) the Company had considered that the Group's sales to United Strength Vehicle Service was RMB47.5 million for the year ended 31 December 2024, which would represent a reasonable utilisation of the proposed annual caps of RMB50 million, RMB55 million and RMB60 million for the three years ending 31 December 2028; (iii) it is not unreasonable to anticipate the recovery of demand in refined oil products since the market of traditional fuel vehicle remained resilient in China; (iv) the crude oil price is highly volatile and global oil demand would continue to be driven by population growth and industrial recovery; and (v) the aforesaid factors were considered when determining the proposed annual cap for the year ending 31 December 2026 and the growth in the proposed annual caps for the years ending 31 December 2027 and 2028, we are of the view that the proposed annual caps under the 2026 Refined Oil Products Supply Agreement are fair and reasonable.

6. Internal control procedures

As set out in the Letter from the Board, the Company will continue to implement the following internal control measures, which were also the internal control measures adopted for the Petroleum Supply Agreement and the Refined Oil Products Supply Agreement, to ensure that the terms of the 2026 Petroleum Supply Agreement and the 2026 Refined Products Supply Agreement are fair and reasonable and such transactions are on normal commercial terms:

(a) the Company will actively obtain information about market price through various channels, such as taking into consideration the transaction prices of at least two comparable transactions of the Company with Independent Third Parties during the same period and transactions among Independent Third Parties during the same period and conducting market price research through various independent industry information providers. Market price information will also be provided to other departments and subsidiaries of the Group so as to assist in pricing of relevant continuing connected transactions. Such price is subject to the approval of the financial department of the Company. The price of connected transactions, once determined and signed, shall not be changed by either party unilaterally;

(b) the finance department of the Company will be responsible for regularly collecting the detailed information of the said continuing connected transactions and reporting to the manager of the finance department regularly. The cost control department and finance department of the Company will assist in reviewing and controlling particular terms and conditions and actual transaction amounts of the continuing connect transactions;

(c) the Company will supervise whether the transaction terms and prices and other terms of the agreements are in compliance with the principles set out therein assessing the fairness of the transaction terms and pricing terms, and reporting relevant information to the head of cost control department on a timely manner;

(d) the secretary to the Board will collect the reports from the manager of finance department and report to the Board in such regard on a regular basis. The Board shall be responsible for the inspecting and supervising the control of continuing connected transactions of the Company as well as the implementation of continuing connected transaction control system by the Directors, senior management and connected persons of the Company;

(e) the Board will review the implementation of the continuing connected transactions on an annual basis, and review the financial report, which included the implementation of the continuing connected transactions, on a half-year basis mainly in respect of matters including whether the Company and relevant connected parties performed the continuing connected transaction agreement during relevant period;

(f) the Audit Committee of the Company will review the annual financial statements, annual report, interim financial statements and interim report, which include the implementation of the continuing connected transactions, and express opinion on the connected transactions conducted during relevant periods mainly in respect of matters such as: whether the connected transactions are fair, and whether the actual connected transaction amounts incurred are within the annual caps; and

(g) the independent non-executive Directors will review the continuing connected transactions under the 2026 Petroleum Supply Agreement and the 2026 Refined Oil Products Supply Agreement to ensure that such agreements are entered into on normal commercial terms or on terms no less favourable to terms available from Independent Third Parties, are fair and reasonable and the transactions are conducted pursuant to the terms of such agreements by checking whether the above measures are duly taken. The auditor of the Company will also conduct annual review on the pricing terms and annual caps of the continuing connected transactions.

As set out in the annual report for the year ended 31 December 2024, the Directors (including independent non-executive Directors) reviewed and the external auditor issued an unqualified letter pursuant to Rule 14A.56 of the Listing Rules, in relation to the Company's continuing connected transactions for the year ended 31 December 2024.

Further, we have obtained and reviewed samples of transactions conducted under the existing Petroleum Supply Agreement and Refined Oil Products Supply Agreement. Based on our review, we noted that the purchase price of refined oil products offered by Songyuan Petrochemical to WFOE were similar and not higher than those purchasing from independent third parties for such comparable product type at the relevant time; and the selling price of refined oil products sold by WFOE to United Strength Vehicle Service were similar and not lower than those selling to independent third parties for such comparable product type at the relevant time. In light of the internal control procedures as set out above, our review of samples of transactions and the fact that the Company, the finance and cost control department in particular, will continue to perform such internal control measures, we are of the view that are sufficient internal control procedures to ensure that the transactions under the 2026 Petroleum Supply Agreement and 2026 Refined Oil Products Supply Agreement will be conducted on normal commercial terms which are no less favourable to those conducted with Independent Third Parties, and will not be prejudicial to the interests of the Company and the Shareholders.

CONCLUSION

Having considered the above principal factors and reasons, we are of the view that, the 2026 Petroleum Supply Agreement and 2026 Refined Oil Products Supply Agreement and the transaction contemplated thereunder are in the ordinary and usual course of business of the Group in the interest of the Company and the Shareholders as a whole and that the terms of the 2026 Petroleum Supply Agreement and 2026 Refined Oil Products Supply Agreement and the transaction contemplates thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Richard, Chu Sai Tak
Managing Director

Note: Mr. Richard Chu is a licensed person under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Innovax Capital Limited. Mr. Richard Chu has over 15 years of experience in corporate finance industry.