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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)**

### **ANNOUNCEMENT CONNECTED TRANSACTIONS UNDER THE RENEWED COOPERATION ARRANGEMENT IN RESPECT OF (1) THE LEASE OF GAS TRANSPORTATION VEHICLES AND (2) THE LEASE OF OFFICE PREMISES**

#### **BACKGROUND**

Reference is made to the Announcements in relation to, amongst others, the Cooperation Arrangement. Pursuant to the Cooperation Arrangement, Changchun Yitonghe (for itself and other members of the Yitonghe Group) leases (i) gas transportation vehicles and (ii) office premises to Jieli Logistics.

#### **THE RENEWED COOPERATION ARRANGEMENT**

On 1 December 2020 (after trading hours), Jieli Logistics and Changchun Yitonghe entered into the Renewed Cooperation Agreement, pursuant to which (i) Changchun Yitonghe will lease its gas transportation vehicles to Jieli Logistics and (ii) Changchun Yitonghe will lease its office premises to Jieli Logistics for a term of three years from 1 January 2021 (the effective date of the Renewed Cooperation Agreement) to 31 December 2023.

#### **ACCOUNTING IMPLICATIONS TO THE RENEWED COOPERATION AGREEMENT**

In accordance with IFRS 16 “Leases”, the Group is required to recognize the value of the right-of-use assets on its balance sheet in connection with the Renewed Cooperation Agreement, the connected transactions in relation to (i) the lease of gas transportation vehicles and (ii) the lease of office premises will be regarded as each an acquisition of asset by the Group.

## **LISTING RULES IMPLICATIONS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Changchun Yitonghe was owned as to approximately 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. Since Mr. Zhao, a Controlling Shareholder and an executive Director, owned more than 30% of the equity interests in Changchun Yitonghe, Changchun Yitonghe is regarded as an associate of Mr. Zhao, and hence a connected person of the Company pursuant to the Listing Rules.

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction under the Renewed Cooperation Agreement in respect of each of (i) the lease of gas transportation vehicles and (ii) the lease of office premises is more than 0.1% but less than 5%, the transactions in respect of each of (i) the lease of gas transportation vehicles and (ii) the lease of office premises under the Renewed Cooperation Agreement is subject to the compliance with the announcement, reporting and annual review requirements but exempted from circular (including the independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the Announcements in relation to, among others, the Cooperation Arrangement. Pursuant to the Cooperation Arrangement, Changchun Yitonghe (for itself and other members of the Yitonghe Group), amongst others, leases (i) gas transportation vehicles and (ii) office premises to Jieli Logistics.

## **THE RENEWED COOPERATION ARRANGEMENT**

On 1 December 2020 (after trading hours), Jieli Logistics and Changchun Yitonghe entered into the Renewed Cooperation Agreement, pursuant to which (i) Changchun Yitonghe will lease its gas transportation vehicles to Jieli Logistics and (ii) Changchun Yitonghe will lease its office premises to Jieli Logistics for a term of three years from 1 January 2021 (the effective date of the Renewed Cooperation Agreement) to 31 December 2023.

Principal terms of the Renewed Cooperation Agreement are summarised as follows:

Date : 1 December 2020

Parties : (1) Jieli Logistics; and  
(2) Changchun Yitonghe

Term : Three years from 1 January 2021 (the effective date of the Renewed Cooperation Agreement) to 31 December 2023.

Renewed Cooperation Arrangement : A. In respect of the lease of gas transportation vehicles:

Changchun Yitonghe will lease 22 tractor units; 25 trailers (for gas transportation) and 3 tankers to Jieli Logistics.

B. In respect of the lease of the office premises:

Changchun Yitonghe will lease the following office premises to Jieli Logistics:

- (1) A land of 7,357 square meters in Xinglong Shan Town (興隆山鎮), Jilin Province, the PRC (the “**Land**”); and
- (2) a building of 400 square meters situated on the Land (the “**Building**”).

Determination of rent : A. In respect of the lease of gas transportation vehicles:

The rent is RMB236,500 per month.

The rent is calculated on monthly basis and is determined with reference to previous rent and prevailing market rent of similar gas transportation vehicles which Jieli Logistics may rent from other Independent Third Parties and was negotiated by the parties (on arm’s length basis and in good faith). The rent will also be reviewed on 31 December of every year during the term with reference to the conditions of the gas transportation vehicles.

B. In respect of the lease of the office premises:

The rent is RMB1,200,000 per year (in respect of the Land) and RMB144,000 per year (in respect of the Building).

The rent is calculated on annual basis and is determined with reference to previous rent and prevailing market rent of similar office which Jieli Logistics may rent from other Independent Third Parties and such rent was negotiated by the parties (on arm’s length basis and in good faith).

The rent will be reviewed on 31 December of every year during the term with reference to the actual situation of the tenancy market.

- Payment term : A. In respect of the lease of gas transportation vehicles:
- The rent is payable on monthly basis and shall be prepaid on the last business day of the previous month.
- B. In respect of the lease of the office premises:
- The rent is payable on quarterly basis and shall be paid within 5 days after the end of each quarter.
- Other principal terms : A. In respect of the lease of gas transportation vehicles:
- Changchun Yitonghe shall be responsible for the licence fee, insurance fee and repairing the damage and loss (for the parts not covered by the insurance) not due to the daily operation in relation to the gas transportation vehicles.
- Jieli Logistics shall be responsible for the fee for repair and maintenance and the loss resulting from any accident during the daily operation in relation to the gas transportation vehicles which was not recovered from the insurance policy.
- Changchun Yitonghe shall ensure the gas transportation vehicles have satisfied the reasonable standards and requirements of Jieli Logistics.
- B. In respect of the lease of the office premises:
- (1) Jieli Logistics shall not sublease the office premises to other third parties.
- (2) Jieli Logistics shall be responsible for the disbursements incurred in relation to the use of the office premises, including water and electricity expenses, telecommunication expenses and other service fees.

## Historical Amount

For the two years ended 31 December 2019 and the ten months ended 31 October 2020, the rent in respect of the gas transportation vehicles and the rent in respect of the office premises paid by Jieli Logistics to Changchun Yitonghe were set out below:

	Year ended 31 December		Ten months ended
	2018	2019	31 October
	<i>RMB'000</i>	<i>RMB'000</i>	2020
Rent (in respect of the gas transportation vehicles)	2,170	2,290	2,349
Rent (in respect of the office premises)	1,000	1,220	631

## ACCOUNTING IMPLICATIONS TO THE RENEWED COOPERATION AGREEMENT

In accordance with IFRS 16 “Leases”, the Group is required to recognize the value of the right-of-use assets on its balance sheet in connection with the Renewed Cooperation Agreement, the connected transactions in relation to (i) the lease of gas transportation vehicles and (ii) the lease of office premises will be regarded as each an acquisition of asset by the Group.

The Group estimates that, based on the terms of the Renewed Cooperation Agreement, the value of right-of-use asset to be recognised under the lease in respect of the gas transportation vehicles and lease in respect of the office premises shall be approximately RMB7,905,000 and RMB3,660,000, respectively, being the present value of the total rent payable by Jieli Logistics to Changchun Yitonghe under the Renewed Cooperation Agreement, calculated using the incremental borrowing rate of the Group in accordance with IFRS 16 for discounting purpose.

## REASONS FOR AND BENEFITS OF THE RENEWED COOPERATION ARRANGEMENT IN RESPECT OF THE LEASE OF GAS TRANSPORTATION VEHICLES AND THE LEASE OF OFFICE PREMISES

Even though Changchun Yitonghe was in possession of a number of gas transportation vehicles, Changchun Yitonghe leased its gas transportation vehicles to Jieli Logistics, through which Jieli Logistics provided gas transportation service to Changchun Sinogas. These arrangements were in place for the purpose of achieving higher efficiency through centralised logistic management by Jieli Logistics and ensuring stable, safe and reliable transportation services in view of Jieli Logistics’ possession of a much larger fleet of transportation vehicles and its proven track record of managing and providing safe and stable transportation services.

In view of (i) the business track record of Jieli Logistics; (ii) the Group's persistent demand for safe and stable gas transportation service; and (iii) the difficulty to secure another reliable and stable provider of gas transportation vehicles which could meet the Group's quality and safety requirement without incurring additional and potentially significant resources, the Directors consider that it would be beneficial to the Group for Jieli Logistics to continue renting the gas transportation vehicles from Changchun Yitonghe to provide gas transportation service to the Group.

Jieli Logistics has been occupying the office premises subject to the Cooperation Agreement for a considerable period of time as its office. Therefore, the Directors consider that it would be beneficial and of administrative convenience to the Group for Jieli Logistics to continue renting the said office premises by saving any unnecessary relocation and administrative costs.

The Directors (including the independent non-executive Directors), after reviewing the terms of the Renewed Cooperation Agreement in respect of each of the lease of gas transportation vehicles and the lease of office premises, are of the view that the lease of gas transportation vehicles and the lease of office premises under the Renewed Cooperation 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 Renewed Cooperation Agreement in respect of each of the lease of gas transportation vehicles and the lease of office premises are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Changchun Yitonghe was owned as to approximately 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. Since Mr. Zhao, a Controlling Shareholder and an executive Director, owned more than 30% of the equity interests in Changchun Yitonghe, Changchun Yitonghe is regarded as an associate of Mr. Zhao, and hence a connected person of the Company pursuant to the Listing Rules.

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction under the Renewed Cooperation Agreement in relation to each of the lease of gas transportation vehicles and the lease of office premises is more than 0.1% but less than 5%, the transactions in relation to each of the lease of gas transportation vehicles and lease of office premises under the Renewed Cooperation Agreement is subject to the compliance with the announcement, reporting and annual review requirements but exempted from circular (including the independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **APPROVAL OF THE BOARD**

Changchun Yitonghe was owned as to approximately 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. As each of Mr. Zhao and Mr. Liu has or may be regarded as having a material interest in the Renewed Cooperation Arrangement, each of them has abstained from voting in the relevant board resolutions of the Company.

Notwithstanding that Mr. Xu Huilin, an executive Director, 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 Huilin does not have a material interest in the Renewed Cooperation Arrangement, and therefore, he had not abstained from voting in the relevant board resolutions of the Company.

## **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.

### **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 is a wholly-owned subsidiary of the Group and is principally engaged in the operation and management of petroleum and gas transportation services in Jilin Province of the PRC. It became the Company's wholly-owned subsidiary upon completion of its acquisition by the Group on 6 March 2018.

## **DEFINITIONS**

“Announcements”	the announcements of the Company dated 19 January 2018, 28 August 2019 and 5 September 2019
“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 approximately 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
“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
“Cooperation Agreement”	the cooperation agreement dated 19 January 2018 entered into between Jieli Logistics and Changchun Yitonghe in respect of the Cooperation Arrangement
“Cooperation Arrangement”	the cooperation arrangement in respect of the lease of the gas transportation vehicles and the lease of office premises pursuant to the Cooperation Agreement, of which the arrangement in relation to the oil refuelling service was terminated upon completion of the acquisition of Eternal Global Investments Limited (恆永環球投資有限公司) pursuant to the Company’s circular dated 30 June 2020 and the Company’s announcement dated 24 August 2020
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, which is an indirect wholly-owned subsidiary of the Group



“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
“Ms. Xu”	Ms. Xu Hang (徐航女士), a substantial Shareholder of the Company
“PRC”	The People’s Republic of China
“Renewed Cooperation Agreement”	The renewed cooperation agreement dated 1 December 2020 entered into between Jieli Logistics and Changchun Yitonghe in respect of the Renewed Cooperation Arrangement, details of which are set out in this announcement
“Renewed Cooperation Arrangement”	the renewed cooperation arrangement in respect of the lease of the gas transportation vehicles and the lease of office premises pursuant to the Renewed Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares 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*

Hong Kong, 1 December 2020

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

\* *For identification purpose only*