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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)

CONNECTED TRANSACTION

THE LOAN AGREEMENT AND FINANCIAL ASSISTANCE BY WAY OF PLEDGE TO CHANGCHUN YITONGHE

INTRODUCTION

The Board announces that in October 2023, Changchun Yitonghe and the Group secured the Loan Facility from IBCC in the amount up to RMB330 million. The Loan Facility in the amount of RMB330 million, of which an aggregate amount of RMB150 million was borrowed under financing agreements entered into between a few members of the Group and IBCC, with corporate guarantee provided by Changchun Yitonghe. Remaining amount of approximately RMB180 million was borrowed as to approximately RMB65 million was and will be used for the issuance of letter of credit by IBCC. On 24 October 2023, Changchun Yitonghe as borrower entered into the Loan Agreement with IBHK as lender, pursuant to which IBHK agreed to grant the loan in the amount up to RMB130 million on the condition that a corporate guarantee would be given by Changchun Yitonghe and the pledge of certain assets of the Group to secure the repayment obligation of the Loan Agreement.

Jilin Haotuo as chargor and IBCC as chargee entered into the Pledge with effect from 17 October 2023, pursuant to which Jilin Haotuo has agreed to pledge to IBCC its right over the Pledged Properties. The Pledge was given by Jilin Haotuo in favour of IBCC as security for the Loan Agreement.

THE LOAN AGREEMENT

Principal terms of the Loan Agreement are set out as follows:

Date:	24 October 2023
Parties:	Changchun Yitonghe (as borrower) IBHK (as lender)
Type of loan facility:	Revolving
Repayment term:	One year, subject to extension as may be approved by IBHK
Interest rate:	Hong Kong Interbank Offered Rate plus 0.7%
Amount of loan facility in the Loan Agreement:	Not more than HK\$130 million or its equivalent in USD or RMB
Usage/application of the loan facility:	Changchun Yitonghe shall apply the proceeds of the loan to (i) working capital for the purchase of refined oil (including the refined oil products procured by the Group), and/or (ii) repay any loan carrying interest and any debt financing instrument

THE PLEDGE

Principal terms of the Pledge are set out as follows:

Effective date of the Pledge:	17 October 2023
Parties:	Jilin Haotuo (as chargor) IBCC (as chargee)
Value of the Pledge:	Jilin Haotuo has agreed to pledge its rights over the Pledged Properties owned by Jilin Haotuo
Duration of the Pledge:	One year
Nature and amount of the liabilities being secured by the Pledge:	All amount due under the Loan Agreement

The financial assistance provided by Jilin Haotuo is limited to the value of the Pledged Properties. Other than the Pledged Properties, IBCC does not have any option to pursue a claim against the Group for any default of the Loan Agreement. IBCC shall not claim Jilin Haotuo for any loss or outstanding liabilities under the Pledge, other than enforcement of the Pledged Properties, and none of the properties held by Jilin Haotuo other than the Pledged Properties will be encumbered or enforced by IBCC.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT AND THE PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcement of the Company dated 18 September 2019 and the RTO Circular in respect of the very substantial acquisition and connected transaction. As disclosed in the RTO Circular, the Sale and Purchase Agreement was entered into for the purposes of acquisition of the entire issued share capital of the Target Company by the Company.

The Target Business comprised the Petroleum Refuelling Business and the Petroleum Wholesale Business including principally the ownership of certain petroleum refuelling stations and petroleum storage facilities, the operation and management rights through Entrusted Petroleum Refuelling Stations and Entrusted Petroleum Storage Facility pursuant to the Entrusted Management Agreement, and the related transportation services.

Upon the Acquisition Completion, the Enlarged Group has been operating and managing the Entrusted Petroleum Refuelling Stations and the Entrusted Petroleum Storage Facility owned by Changchun Yitonghe and using all assets, land use right and equipment necessary for such operation and management. Other than operation and management of the Entrusted Petroleum Refuelling Stations and the Entrusted Petroleum Storage Facility and payment of the entrustment fees, the Group's primary day-to-day obligations under the entrustment agreements were to operate the facilities at the relevant stations and the storage facility.

Although the Entrusted Management Agreement has the form of entrustment arrangements and the Target Group would not own the Entrusted Petroleum Refuelling Stations and Entrusted Petroleum Storage Facility, in substance, the Target Group has been operating the Target Business and has the full right to all its revenue as if it owns the Entrusted Petroleum Refuelling Stations and the Entrusted Petroleum Storage Facility.

Notwithstanding the entrustment arrangement under the Entrusted Management Agreement, Changchun Yitonghe has been holding the ownership or right-of-use of assets of the Entrusted Petroleum Refuelling Stations and the Entrusted Petroleum Storage Facility.

For the purposes of running the Target Business and the business of the Group, Changchun Yitonghe has been providing financial assistance to the Group in a preferential manner.

Due to the global market liquidity issue, Changchun Yitonghe and the Group started to seek alternative financing arrangement in early 2023. After a few months' negotiation, Changchun Yitonghe and the Group secured a loan from IBCC, which granted the Loan Facility in the amount up to RMB330,000,000 on the condition that a corporate guarantee would be given by Changchun Yitonghe and a pledge of the Group's assets to secure the repayment obligation pursuant to the Loan Agreement.

The Pledged Properties were pledged by Jilin Haotuo in favour of the Bank with effect from 17 October 2023 as security for the Loan Agreement. Although the Pledged Properties are pledged as security for the Loan Agreement, the maximum exposure of the Group to the Loan Facility is only equal to the value of the Pledged Properties in the amount of approximately RMB27,426,000.

As the proceeds from the Loan Agreement were used to settle the purchase of refined oil for operation of petroleum refuelling stations and petroleum storage facilities owned by Changchun Yitonghe and operated by the Group according to the Entrusted Management Agreement, the Company considers that giving the Pledge to secure a loan used for its business is reasonable. In addition, the Company also considers that the arrangement is in the interest of the Company given that the risk for repayment lies on Changchun Yitonghe and the value of the assets subject to the Pledge is far less than the amount of the proceeds of the Loan Agreement used by the Group.

INFORMATION ON THE PARTIES

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. The Group is also engaged in the operation and management of petroleum and gas transportation services in Jilin Province of the PRC through its operating subsidiaries in the PRC.

Jilin Haotuo is a limited liability company established under the laws of PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the Petroleum Refuelling Business.

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.

Industrial Bank

Industrial Bank is company incorporated in the PRC with limited liability. Industrial Bank and its subsidiaries are principally engaged in the commercial banking business which provides services including trust, financial lease, funds, futures, asset management, consumer finance, research and consulting, and digital finance. Industrial Bank is listed on the Shanghai Stock Exchange (stock code: 601166). Industrial Bank is the wholly owned parent company of IBCC and IBHK.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Industrial Bank and their ultimate beneficial owner(s) are third parties independent from each of the Company and its connected persons.

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 under Chapter 14A of the Listing Rules.

Accordingly, the provision of the Pledge to IBCC as security pursuant to the Loan Agreement constitutes a financial assistance to be provided by the Group to a connected person and thus a connected transaction of the Company in accordance with Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Loan Agreement exceeds 5%, the Loan Agreement constituted a non-exempt connected transaction of the Company and was therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Pledge is more than 0.1% but does not exceed 5%, the provision of the Pledge to IBCC as security for the pursuant to the Loan Agreement constituted a non-exempt connected transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. The Company had omitted to comply with the above requirements and failed to obtain necessary Independent Shareholders' approval when the same was conducted in October 2023.

Considering that the proceeds under the Loan Agreement have been applied by the Group through Changchun Yitonghe for procurement of refined oil products, no Shareholders' meeting will be convened to approve, confirm and/or rectify the transactions pursuant to the Loan Agreement and the Pledge. Save for Mr. Zhao being a Controlling Shareholder and Mr. Liu being a substantial Shareholder of the Company, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Loan Agreement and the Pledge.

A circular containing further details of the Pledge and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 May 2024. The Independent Board Committee has been established to, among others, advise the Independent Shareholders on the connected transaction contemplated in respect of the provision of the Pledge. The Company has appointed Innovax Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

REASONS FOR THE NON-COMPLIANCE OF THE LISTING RULES

Given the proceeds of the Loan Agreement were used by the Group, the Company was not aware of such technical non-compliance until recently in the course of preparing the Group's consolidated financial statements for the financial year ended 31 December 2023. As soon as the Company discovered the provision of the Pledge and the transaction contemplated thereunder, the Company immediately sought assistance from its legal advisers as to the disclosure obligations.

The Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above, and would also like to stress that legal and regulatory compliance has long been an important culture of the Group and that it has always treated compliance with the Listing Rules as a top priority. The Group has been maintaining regular communications with, and seeking advice from, its professional advisers since the Listing on different aspects of Listing Rules compliance, but has unfortunately and regrettably not done so on this single occasion on a timely basis.

REMEDIAL MEASURES

To prevent the occurrence of similar non-compliance incident in the future, the Company will implement the following measures:

1. its internal control policy and system on connected transactions will be further enhanced to strengthen its supervision on compliance with Chapter 14A of the Listing Rules;
2. an internal training session will be conducted as soon as practicable to explain the relevant Listing Rules requirements for connected transactions; and
3. it will seek external legal and other professional advice as to any transaction which proposes to enter into in the future, in particular to those relating to connected transactions.

DEFINITIONS

“Acquisition”	the acquisition of the entire issued share capital of Eternal Global pursuant to the Sale and Purchase Agreement. For details of the Acquisition, please refer to the RTO Circular
“Acquisition Completion”	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement
“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
“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
“Directors”	the directors of the Company
“Enlarged Group”	the Group and the Target Group following Acquisition Completion. For details of the Enlarged Group, please refer to the RTO Circular
“Entrusted Management Agreement”	the agreement dated 26 June 2020 and entered into between WFOE as operating party and Changchun Yitonghe as entrusting party pursuant to which Changchun Yitonghe granting the WFOE Group the right to operate and manage the Entrusted Petroleum Refuelling Stations, the Entrusted Petroleum Storage Facility and use all assets, property, land and equipment necessary for such operation and management. For details of the Entrusted Management Agreement, please refer to the RTO Circular
“Entrusted Petroleum Refuelling Stations”	the petroleum refuelling stations owned by Changchun Yitonghe, the subject petroleum refuelling stations under the Entrusted Management Agreement. For details of the Entrusted Petroleum Refuelling Stations, please refer to the RTO Circular

“Entrusted Petroleum Storage Facility”	the petroleum storage facility owned by Changchun Yitonghe, the subject petroleum storage facility under the Entrusted Management Agreement. For details of the Entrusted Petroleum Storage Facility, please refer to the RTO Circular
“Eternal Global” or “Target Company”	Eternal Global Investments Limited (恆永環球投資有限公司), a company incorporated in the BVI on 8 November 2018 with limited liability, a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IBCC”	Industrial Bank Co., Ltd. Changchun Branch (興業銀行股份有限公司長春分行), a limited liability company incorporated in the PRC, a subsidiary of Industrial Bank
“IBHK”	Industrial Bank Co., Ltd. Hong Kong Branch (興業銀行股份有限公司香港分行), a limited liability company incorporated in Hong Kong, a subsidiary of Industrial Bank
“Independent Shareholder(s)”	shareholders of the Company other than those who have material interests in the connected transaction
“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
“Industrial Bank”	Industrial Bank Co., Ltd, a company incorporated in the PRC with limited liability, the issued shares of which are listed on the Shanghai Stock Exchange (stock code: 601166)
“Jilin Haotuo”	Jilin Province Haotuo Petroleum Development and Usage Company Limited* (吉林省昊拓石油開發利用有限公司), a limited liability company established under the laws of PRC on 1 December 2010, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Facility”	the loan facility in the amount up to RMB330 million granted by IBCC to Changchun Yitonghe and the Group
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Mr. Liu”	Mr. Liu Yingwu (劉英武先生), a substantial Shareholder and an executive Director
“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
“Ms. Xu”	Ms. Xu Hang (徐航女士), a substantial Shareholder
“Petroleum Refuelling Business”	the business of the operation and management of petroleum refuelling stations, including self-owned petroleum refuelling stations, Entrusted Petroleum Refuelling Stations and Former Entrusted Petroleum Refuelling Stations. For details of the Petroleum Refuelling Business, please refer to the RTO Circular
“Petroleum Wholesale Business”	the business of the operation and management of petroleum storage facilities, including self-owned petroleum storage facilities and Entrusted Petroleum Storage Facility. For details of the Petroleum Wholesale Business, please refer to the RTO Circular
“Pledge”	the pledge entered into between Jilin Haotuo as chargor and IBCC as chargee with effect from 17 October 2023, pursuant to which Jilin Haotuo has agreed to pledge its right over the Pledged Properties
“Pledged Properties”	two real properties in the total value of approximately RMB27,426,000 owned by Jilin Haotuo, situated at (i) 綠園區西四環油氣站站房 with a gross area of 5,524 square metre and property construction area of 284.64 square metre; and (ii) 綠園區長春景陽加油站站房 with a gross area of 2,230 square metre and property construction area of 144.96 square metre

“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“RTO Circular”	the circular of the Company dated 30 June 2020 in respect of a very substantial acquisition and connected transaction
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 September 2019 entered into between the Company as purchaser, and Propitious Peak Limited, Immense Ocean Ventures Limited, Amber Heyday Limited, Triumphal Diligent Limited and Harvest Day Global Limited, as Vendors, and Mr. Zhao, Ms. Xu, Mr. Liu and Mr. Wang Qingguo as the guarantors and Mr. Zhang Guoguang in respect of the Acquisition (and as supplemented by the supplemental agreements dated 28 February 2020 and 26 June 2020 entered into between the same parties). For details of the Sale and Purchase Agreement, please refer to the RTO Circular
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	Petroleum Refuelling Business and Petroleum Wholesale Business and the related transportation business. For details of the Target Business, please refer to the RTO Circular
“Target Group”	collectively, the Target Company and its subsidiaries (and where the contexts so require, the business under the Entrusted Arrangement and the Business Agreements as referred to in the RTO Circular). For details of the Target Group, please refer to the RTO Circular
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States

“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, an indirect wholly-owned subsidiary of the Company

“%”

per cent.

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

Hong Kong, 9 May 2024

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

* *For identification purposes only*