恒阳

HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in Singapore on 23 April 2008)
(Company Registration Number: 200807923K)

THE PROPOSED DISPOSAL OF THE 85% EQUITY INTEREST IN JIANGSU XINHENG SUPPLY CHAIN MANAGEMENT SERVICES CO., LTD.

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Hengyang Petrochemical Logistics Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Jiangyin Foreversun Chemical Logistics Co., Ltd. ("**Jiangyin Foreversun**"), a 51% owned joint venture of the Group, and Mr. Gu Wenlong (the Executive Chairman, controlling shareholder and Chief Executive Officer of the Company) ("**Mr. Gu**"), had on 11 January 2021, entered into a conditional sale and purchase agreement ("**SPA**") with Jiangyin Jingang Chemical Co., Ltd. (江阴市金港化工有限公司) (the "**Purchaser**") for, among other things, the disposal of Jiangyin Foreversun's entire equity interest in Jiangsu Xinheng Supply Chain Management Services Co., Ltd. ("**Jiangsu Xinheng**"), which represents 85% of the total equity interest in Jiangsu Xinheng (the "**Sale Equity**"), to the Purchaser for an aggregate consideration of RMB18,062,500 (equivalent to approximately S$3,678,717) (the "**Proposed Disposal**"). Meanwhile, Mr. Gu will dispose his 15% equity interest in Jiangsu Xinheng to the Purchaser for RMB3,187,500 (equivalent to approximately S$649,185).

Save as disclosed in this announcement, all exchange rate conversions shall be based on the indicative exchange rate of S$1.00 : RMB4.91.

2. INFORMATION RELATING TO JIANGSU XINHENG AND THE PURCHASER

2.1. Information on Jiangsu Xinheng

Jiangsu Xinheng is a company that was incorporated on 10 April 2017 in China with a registered capital of RMB20 million. Jiangsu Xinheng's scope of business activities includes supply chain management, freight agent, cargo stowage, normal goods storage, sale of chemical products, information technology advisory services and business advisory services.

As at the date of this announcement, Jiangyin Foreversun holds 85% of the equity interest in Jiangsu Xinheng. Mr. Gu holds the remaining 15% of the equity interest in Jiangsu Xinheng. Please refer to Table 1 below of Jiangsu Xinheng's immediate shareholders and their respective shareholding interest for ease of reference:

(Table 1)

No.	Name of Shareholders	Shareholding percentage in Jiangsu Xinheng
1.	Jiangyin Foreversun	85%
2.	Mr. Gu	15%
Total:		**100%**

Jiangyin Foreversun is a joint venture company collectively owned by Hengyang Holding Pte. Ltd. ("**HHPL**") as to its 51% of the equity interest, and CITIC Port Investment Co., Ltd. ("**JV Partner**") as to its 49% of the equity interest. HHPL is wholly owned by the Company.

For ease of reference, please refer to the corporate structure of the Group as at the date of the announcement which is attached herewith at **Appendix A**.

2.2. **Information on the Purchaser**

The Purchaser is a company established in the People's Republic of China on 7 May 1993. The Purchaser's principal businesses include management of hazardous chemicals, sale of chemical products (excluding dangerous goods), metal materials, building materials, textile materials, machinery and equipment and electronic products.

The directors and shareholders of the Purchaser are not related to the Company, its directors and controlling shareholders.

3. VALUATION OF JIANGSU XINHENG

Jiangsu Tianyuan Real Estate Appraisal Building Cost Group Co., Ltd. (江苏天元房地产评估造价集团有限公司) has been commissioned by Jiangyin Foreversun to prepare a valuation report on Jiangsu Xinheng. Based on the valuation report dated 4 November 2020 ("**Valuation Report**"), 100% of the equity interest in Jiangsu Xinheng is valued at RMB21,241,000 (or approximately S$4,326,069) as at 31 October 2020.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group, as well as taking into account the business prospects of Jiangsu Xinheng.

The JV partner, being the 49% of the shareholder of Jiangyin Foreversun, has been supportive of the Proposed Disposal.

In view of the above, having regard to the terms and the timing of the Proposed Disposal, the Board is of the view that the Proposed Disposal represents an opportunity for the Group to realise its investment in Jiangsu Xinheng (a company that is involved in non-core businesses of the Group – see section 2.1 of this announcement for further details on Xinheng's principal business activities), which would unlock value for Shareholders, strengthen the Group's financial position and fund the Group's working capital requirements for the Group's core businesses (which is in the storage and transportation of liquid petrochemical products) as and when they arise, which may result in higher value to Shareholders.

5. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

5.1. **Overview of the Proposed Disposal**

Subject to the terms and conditions of the SPA, Jiangyin Foreversun shall sell the Sale Equity to the Purchaser. Upon the completion of the Proposed Disposal, Jiangsu Xinheng will cease

to be a 85% owned subsidiary of Jiangyin Foreversun.

The corporate structure of the Group immediately upon the completion of the Proposed Disposal is attached herewith at **Appendix B**.

5.2. **Consideration**

The aggregate consideration for 100% of the equity interest in Jiangsu Xinheng is fixed at RMB21,250,000 (equivalent to approximately S$4,327,902) ("**Aggregate Consideration**"), of which, 85% of the Aggregate Consideration, i.e., RMB18,062,500 (equivalent to approximately S$3,678,717) ("**Consideration**") is payable to Jiangyin Foreversun in exchange of its disposal of the Sale Equity, and the remaining 15% of the Aggregate Consideration, i.e., RMB3,187,500 (equivalent to approximately S$649,185) is payable to Mr. Gu in exchange of his disposal of the remaining 15% of the equity interest in Jiangsu Xinheng. Please refer to Table 2 below for the allocation of the Aggregate Consideration for ease of reference:

(Table 2)

No.	Name of the shareholders of Jiangsu Xinheng / shareholding percentage	Consideration payable
1.	Jiangyin Foreversun / 85%	RMB18,062,500 (equivalent to approximately S$3,678,717)
2.	Mr. Gu /15%	RMB3,187,500 (equivalent to approximately S$649,185)
Aggregate Consideration:		**RMB21,250,000** (equivalent to approximately S$4,327,902)

The Consideration shall be payable by the Purchaser to the Group in cash within ninety (90) days from the date of the SPA.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, among other things, the following factors:

(a) the Valuation Report which has valued 100% of the equity of Jiangsu Xinheng at RMB21,241,000 (equivalent to approximately S$4,326,069);

(b) the historical operating track record and financial performance of Jiangsu Xinheng; and

(c) the rationale and benefits to the Group for the Proposed Disposal as set out in Section 4 of this announcement.

5.3. **Conditions Precedent**

Completion of the Proposed Disposal is conditional upon, among other things, the fulfilment and satisfaction of the following conditions precedent:

(a) the Company having received the requisite approval from the board of Jiangyin

Foreversun in relation to the transactions contemplated under the SPA; and

(b) all approvals, waivers and consents as may be necessary from any third party or governmental agency having jurisdiction over the Proposed Disposal and the transactions contemplated under the SPA being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked.

5.4. **Completion**

The completion of the Proposed Disposal shall take place within fifteen (15) business days commencing from the date that the latest condition precedent is fulfilled.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1. **Assumptions**

The *pro forma* financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion.

The *pro forma* financial effects in this section are based on the consolidated audited financial statements of the Group for FY2019. The pro forma financial effects of the Proposed Disposal have been prepared based on the following assumptions:

(i) The number of shares is based on the 203,461,883 issued and paid-up ordinary shares in the capital of the Company ("**Shares**") as at 31 December 2019;

(ii) The Proposed Disposal had been completed on 31 December 2019 for the purposes of computing the pro forma financial effects on the net tangible assets ("**NTA**") of the Group; and

(iii) The Proposed Disposal had been completed on 1 January 2019 for the purposes of computing the pro forma financial effects on the earnings per Share ("**EPS**") of the Group.

6.2. **Effects on NTA per Share**

		Immediately before the completion of the Proposed Disposal	**Immediately after the completion of the Proposed Disposal**
NTA (RMB'000)	:	408,908	409,116
Number of Shares	:	203,461,883	203,461,883
NTA per Share (RMB cents)	:	201.0	201.1

6.3. **Effects on LPS**

	Immediately before the completion of the Proposed Disposal	**Immediately after the completion of the Proposed Disposal**

Loss attributable to Shareholders (RMB'000)	24,652	24,444
Number of Shares	203,461,883	203,461,883
LPS (RMB cents)	12.12	12.01

7. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposal as computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") and the unaudited consolidated financial statements of the Group for the nine-month period ended 30 September 2020 ("(**9M2020**") are as follows:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	3.2%[(1)]
(b)	Net profits/losses attributable to the assets disposed of, compared with the Group's net profits/losses.	(5.7)%[(2)]
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	9.5%[(3)]
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable[(4)]
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable[(5)]

Notes:

(1) Based on the unaudited consolidated financial statements of the Group for 9M2020.

(2) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Based on the unaudited consolidated financial statements of the Group for 9M2020, the net profits attributable to the Sale Equity is RMB1,339,388, and the net losses of the Group is RMB23,629,000.

(3) Under Rule 1002(5), "market capitalisation" is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on the market day preceding the date of the SPA. Accordingly, the market capitalisation of the Company is based on 203,461,883 Shares in issue and the weighted average price of S$0.19 of the Shares transacted on 10 December 2020, being the last market date preceding the date of the SPA that the Shares were traded, and as such the market capitalisation for the purposes of the Proposed Disposal is S$38,657,758 or equivalent to approximately RMB189,809,591 based on an exchange rate of 4.91 Chinese Yuan to one Singapore Dollar.

(4) Rule 1006(d) of the Catalist Rules is not applicable to a disposal of assets.

(5) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.

The relative figures computed for the bases set out in Rules 1006(b) and 1006(c) of the Catalist Rules exceed 5% but do not exceed 50%. Accordingly, the Proposed Disposal is classified as

a “discloseable transaction” as defined under Chapter 10 of the Catalist Rules.

8. EXPECTED GAIN ON THE PROPOSED DISPOSAL AND USE OF PROCEEDS

Based on the value of the Consideration and the book value of the Sale Equity as at 31 October 2020, the gain upon completion of the Proposed Disposal is expected to be RMB5,592 (or equivalent to approximately S$1,139) (based on our 100% share interest in HHPL and 51% share interest in Jiangyin Foversun).

Based on the unaudited consolidated financial statements of the Group for 9M2020, the net profits[1] attributable to the Sale Equity is RMB1,339,388 (or equivalent to approximately S$272,787), and the book value of the Sale Equity is approximately RMB18,639,456 (or equivalent to approximately S$3,796,223). Based on the unaudited management accounts of Jiangsu Xinheng as at 31 October 2020, the book value of the Sale Equity is approximately RMB18,051,535 (or equivalent to approximately S$3,676,484).

The amount of excess of the Consideration over the book value of the Sale Equity as at 31 October 2020 is approximately RMB10,965 (or equivalent to approximately S$2,233).

The net proceeds from the Proposed Disposal will be used by the Group for its general working capital requirements.

9. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS OR THEIR ASSOCIATES IN THE PROPOSED DISPOSAL

Save as disclosed in this announcement (if any), none of the Directors (other than in his capacity as a Director), substantial Shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

12. DOCUMENTS FOR INSPECTION

[1] “Net profits” means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

A copy of the SPA and the Valuation Report will be made available for inspection during normal business hours at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 for a period of three (3) months from the date of this announcement.

13. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. There is no certainty or assurance that the Proposed Disposal will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Disposal, the SPA and other matters contemplated in this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

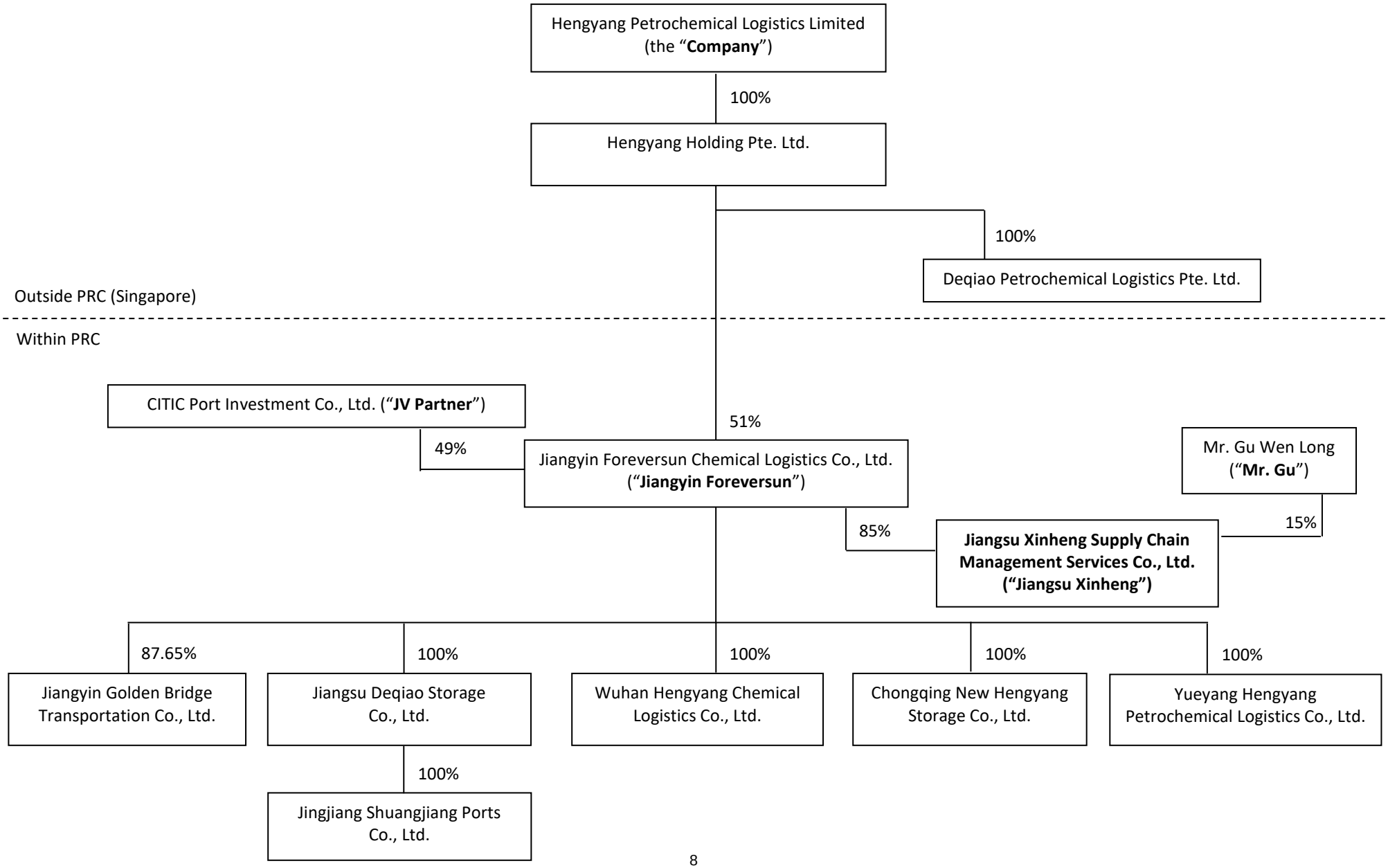
GU WEN LONG
Chairman and Chief Executive Officer

11 January 2021

This announcement has been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Yee Chia Hsing, Head, Catalist, Investment Banking, CIMB Bank Berhad, Singapore Branch at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: (65) 6337 5115.

Appendix A – Present Corporate Structure of the Group



Appendix B – Corporate Structure of the Group immediately upon completion of the Proposed Disposal

