HENGYANG PETROCHEMICAL LOGISTICS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200807923K)
(the "**Company**", and together with its subsidiaries, the "**Group**")

ENTRY INTO AGREEMENTS WITH CITIC PORT INVESTMENT CO., LTD.

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1. **INTRODUCTION**

The Board of Directors of Hengyang Petrochemical Logistics Limited wishes to announce that the Company's 65% owned subsidiary, Hengyang Holding Pte. Ltd. ("**HHPL**"), has on 17 March 2017 entered into the agreements involving an investment in Jiangyin Foreversun Chemical Logistics Co., Ltd (the "**China Holdco**") by Citic Port Investment Co., Ltd.("**CITIC Port**").

The transaction documents ("**Transaction Documents**") comprise of (i) a subscription agreement ("**Subscription Agreement**") by and between HHPL and CITIC Port; (ii) an equity transfer agreement ("**Equity Transfer agreement**") by and between HHPL and CITIC Port; and (iii) a shareholders agreement ("**Shareholders Agreement**") by and between HHPL, CITIC Port and the China Holdco.

The proposed transactions ("**Proposed Transactions**") contemplated in the Transaction Documents comprise of the following: -

(a) The issue of equity interest in the China Holdco and subscription of 37.2% of the enlarged equity interest in the China Holdco by CITIC Port for an aggregate consideration of RMB 450,000,000 (the "**Equity Subscription Consideration**") (the "**Proposed Issue**");

(b) Concurrently with the completion of the Proposed Issue, the disposal of 11.8% equity interest in the China Holdco held by HHPL to CITIC Port for an aggregate consideration of RMB142,900,000 (the "**Equity Transfer Consideration**") (the "**Proposed Disposal**"), such that the shareholders of the China Holdco will comprise (i) HHPL holding 51% of the equity interest in the China Holdco and (ii) CITIC Port holding 49% of the equity interest in the China Holdco upon the completion of the Proposed Issue and the Proposed Disposal("**Completion**");

(c) Subject to the Completion, the grant of an option ("**Option**") to subscribe for 2% of the equity interest in the China Holdco to CITIC Port for an aggregate consideration not exceeding RMB50,000,000 (the "**Proposed Grant of Option**");

In connection with the Proposed Transactions, HHPL, CITIC Port and the China Holdco have entered into a Shareholders Agreement to regulate the affairs of the China Holdco and to govern the respective rights of the HHPL and CITIC Port as shareholders of the China Holdco.

The Proposed Issue, the Proposed Disposal and the Proposed Grant of Option are inter-conditional upon the concurrent approval of the shareholders of the Company ("**Shareholders**") pursuant to Chapter 8 and Chapter 10 of the SGX-ST Listing Manual (Section B: Rules of Catalist) ("**Catalist Rules"**). If any of the resolutions relating to the Proposed Issue, the Proposed Disposal and the Proposed Grant of Option is not approved by the Shareholders, or any of the Conditions Precedent (as defined below) are not satisfied by the Long-stop Date or such other dates as may be agreed by the parties, then all of the proposed transactions will not proceed.

Shareholders should note that in the event CITIC Port exercises the Option to subscribe for the additional 2% equity interest in the China Holdco, there may be an impact on the listing status of

the Company pursuant to the Catalist Rules. It is important to note that CITIC Port may or may not exercise this Option.

2. INFORMATION ON THE CHINA HOLDCO AND CITIC PORT

2.1 Information on the China Holdco

The China Holdco is a private limited liability company incorporated under the laws of the PRC on 25 November 2002. As at the date of this announcement, it has a registered and paid-up capital of USD77,270,000.

The China Holdco is a wholly-owned subsidiary of HHPL, which is a 65% direct subsidiary of the Company.

On 10 January 2017, the Company announced via SGXNet that the Group had completed an intragroup restructuring exercise ("**Restructuring Exercise**") which consolidated ownership of all of the Company's present subsidiaries incorporated within the People's Republic of China ("**PRC**") under the China Holdco. Accordingly, as at the date of this announcement, the China Holdco holds:

(a) 87.65% in Jiangyin Golden Bridge Transportation Co., Ltd;
(b) 100% in Jiangsu Deqiao Storage Co., Ltd., which in turn holds 100% in Jingjiang Shuangjiang Ports Co., Ltd.;
(c) 100% in Wuhan Hengyang Chemical Logistics Co., Ltd.;
(d) 100% in Chongqing New Hengyang Storage Co., Ltd.; and
(e) 100% in Yueyang Hengyang Petrochemical Logistics Co., Ltd.

The China Holdco and its subsidiaries are in the business of building, owning and operating petrochemical terminals, including petrochemical port facilities and petrochemical and oil product storage tanks and providing warehousing and logistics services for third parties and land transportation in China.

The corporate structure of the Group as at the date of this Announcement is set out in part A of Appendix I to this Circular. Part B of the Appendix I sets out the corporate structure of the Group immediately after the Completion.

2.2 Information on CITIC Port

CITIC Port is a limited liability company incorporated under the laws of the PRC in March 2006 and is a state-owned enterprise. CITIC Port is jointly invested by CITIC Xingye Investment Group Co., Ltd. and CITIC Xingye Investment Ningbo Co., Ltd. It is the operation platform of CITIC Xingye Investment Co., Ltd.'s port business.

CITIC Port has a strong dominance in Ningbo region in the PRC and its business encompasses numerous port projects, liquefied chemicals terminals, storage tanks, container terminals, tugs and other related services.

CITIC Port is a current provider of loans to the Group.

3. DETAILS OF THE PROPOSED TRANSACTIONS

3.1 Subscription Agreement

The salient terms of the Subscription Agreement are, *inter alia*, as follows:

3.1.1 Consideration for the Proposed Issue

The China Holdco will issue equity interest and CITIC Port shall subscribe for 37.2% of the enlarged equity interest in the China Holdco.

The consideration payable for the Proposed Issue, i.e. the Equity Subscription Consideration is RMB450,000,000, of which USD45,771,800 (to be converted from RMB to USD based on the exchange rate as at the date of subscription of the equity interest in the China Holdco by CITIC Port) will become the new share capital of the China Holdco and the balance will become the new capital reserve of the China Holdco.

CITIC Port shall pay the Equity Subscription Consideration in full to the China Holdco on the Completion Date (as defined below) or such later date as the parties may mutually agree in writing.

3.1.2 Completion Date

Completion will take place on or about three (3) business days immediately following the fulfillment (or waiver, as applicable) of conditions precedent ("**Completion Date**").

3.1.3 Conditions Precedent

Completion of the Proposed Issue shall be subject to the, *inter alia*, the following conditions precedents (the "**Conditions Precedent**"):

(a) Completion of due diligence checks on the China Holdco's business, legal and financial aspects;

(b) The China Enterprise Appraisals Shanghai Branch ("**Valuer"**) appointed by CITIC Port has duly completed the valuation of the China Holdco's assets and the valuation report has been filed and registered with the competent state assets supervisory authority ("**SASAC**") or its authorised agent in the PRC ("**Valuation Report**");

(c) Competent departments of CITIC Port, HHPL and the China Holdco and the relevant supervisory authorities have approved the Proposed Transactions;

(d) The relevant parties have signed all the Transaction Documents;

(e) The Group has obtained all other necessary corporate and regulatory approvals and authorisations for the Proposed Transactions, including the approval of the Company's Shareholders at an extraordinary general meeting;

(f) No PRC authority has instituted or implemented any action, proceedings, or taken any steps, which would or might hinder or limit the Proposed Issue and Proposed Disposal or the China Holdco's business;

(g) The China Holdco has signed labour contracts, confidentiality and non-competition agreements and proprietary information and invention agreement with key managers and employees;

(h) The production of a legal opinion issued by a PRC legal counsel and a legal opinion issued by a Singapore legal counsel; and

(i) The competent Administration of Industry and Commerce has completed registration of the Proposed Issue and has issued an updated business license for the China Holdco which reflects the Proposed Issue and Proposed Disposal.

If the Conditions Precedent are not satisfied or waived (as the case may be) within ninety (90) business days from date of signing of the Subscription Agreement (the "**Long-stop Date**"), the non-breaching party has the right to terminate the agreement.

3.1.4 Grant of Option

Subject to Completion and payment of the Equity Subscription Consideration and Equity Transfer Consideration by CITIC Port, CITIC Port shall have an option to subscribe for 2% of the equity interest in the China Holdco, such that the ratio of equity interest in the China Holdco held by CITIC Port and HHPL will be 51:49.

If CITIC Port intends to exercise the Option, CITIC Port shall serve on HHPL and the Company a written notice of not less than six (6) months before the Option Exercise Date.

Under the Subscription Agreement, the exercise date of the Option shall be any date within a one (1) year period after the expiration of two (2) years from the Completion Date (the "**Option Exercise Date**").

The price for exercising of the Option shall be determined in the following manner and shall not, in any event, exceed RMB50,000,000 (the "**Option Exercise Price**"):

(i) The Option Exercise Price shall be determined by mutual consultation between CITIC Port and HHPL and shall be based on a valuation report from an independent professional valuer in the PRC.

(ii) the valuation report done be the valuer shall be filed and registered with the SASAC and the price reflected in the valuation report filed with SASAC will be the final Option Exercise Price.

3.1.5 Possible Listing

The Subscription Agreement provides that the CITIC Port will consider the possibility of an initial public offering of the China Holdco, including a possible listing of its shares on a securities exchange in the PRC. CITIC Port shall give priority to the China Holdco as the listing company from Completion Date to 31 December 2020. HHPL and CITIC Port shall cooperate to ensure that the China Holdco meets the regulatory requirements of domestic listing in the PRC and comply with the regulatory requirements of SGX-ST.

3.1.6 Restrictive Covenants

It is agreed that none of HHPL and its affiliates, CITIC Port and its affiliates and Mr Gu Wen Long ("**Mr Gu**"), who is the Chairman and CEO as well as the Controlling Shareholder of the Company, shall, for three (3) years from Completion Date, directly or indirectly, be engaged, concerned or interested in any business in competition with the China Holdco's business which includes the handling, storage and transport of liquid chemicals and oil products and other supply chain services relating to liquid chemicals and oil products, excluding the following:

(i) The existing two projects undertaken by CITIC Port, namely Ningbo Jiaomen Project and Ningbo Xinrun Project; and

(ii) The existing supply chain business projects undertaken by Mr Gu and his Associates.

HHPL and CITIC Port further agree that after Completion, in the event either party ("**Referring Party**") obtains a business opportunity which is in competition with the China Holdco's business ("**Competing Business Opportunity**"), the Referring Party shall issue a notice in writing to the China Holdco to offer the Competing Business Opportunity and upon receipt of such notice, the China Holdco has thirty (30) days thereafter to accept or refuse in writing the Competing Business Opportunity. If the China Holdco refuses the Competing Business Opportunity, the Referring Party shall be permitted to take the benefit of it.

3.1.7 Post-Completion Debt Restructuring

Under the Subscription Agreement, the China Holdco shall return all loan principal sums, interests and other fees owed to CITIC Port within five (5) Business Days of Completion Date. The China Holdco and its subsidiaries shall thereafter undergo a debt restructuring exercise.

3.2 **Equity Transfer Agreement**

The salient terms of the Equity Transfer Agreement are, *inter alia*, as follows:

3.2.1 Consideration for the Proposed Disposal

The consideration payable for the Proposed Disposal, i.e. the Equity Transfer Consideration is RMB142,900,000.

CITIC Port shall pay the Equity Transfer Consideration in full to HHPL on the Completion Date or such later date as the parties may mutually agree in writing.

3.2.2 Conditions Precedent

The conditions precedent for the Proposed Disposal are the same Condition Precedents for the Proposed Issue. If the Conditions Precedent are not satisfied or waived (as the case may be) by the Long-stop Date, the non-breaching party may elect to terminate the Equity Transfer Agreement.

3.3 **Shareholders Agreement**

The Shareholders Agreement will take effect either from the date of the Company obtaining Shareholders' approval at the EGM or HHPL obtaining its shareholders' approval at a general meeting (whichever is later).

The salient terms of the Shareholders Agreement are, *inter alia*, as follows:

3.3.1 Risk and Rewards

The China Holdco shall be a limited liability company, of which the risks and rewards are to be shared proportionately based on the capital contribution of the parties.

3.3.2 Business Scope

The proposed business scope of the China Holdco shall be to undertake warehousing operations of chemical products within port areas, to undertake warehousing operations of food additives within port areas, industrial investment and construction and operation of harbour facilities.

3.3.3 Board Representation

The China Holdco Board shall comprise of six (6) directors, three (3) of whom shall be appointed HHPL and the other 3 shall be appointed by CITIC Port. The Chairman of the China Holdco shall be a director appointed by CITIC Port and the Vice-Chairman shall be a director appointed by HHPL. The China Holdco Board shall determine all major issues relating to the China Holdco. After the Completion Date, in the event of an equality of votes, the Vice-Chairman appointed by HHPL shall have a second or casting vote. However, after CITIC Port's exercise the Option ("**Option Exercise**"), in the event of an equality of votes, the Chairman appointed by CITIC Port shall have a second or casting vote.

3.3.4 Reserved Matters

(a) The matters which require unanimous approval from the China Holdco Board include, *inter alia*, capital increase or decrease of the registered capital of the China Holdco, any adjustment to the equity interest ratio of the shareholders, incorporation of subsidiaries and any joint venture with a third party.

(b) The matters which require at least two-thirds majority vote from the China Holdco's Board include, *inter alia*, the review and approval of the annual budget and business plans, corporate funding programmes, plans for profit distribution and losses and related party transactions.

(c) The matters which require at least half of the China Holdco 's Board's vote include, *inter alia*, appointment or replacement of the China Holdco's auditors, setting up of an internal management system and approval of accounting standards for the China Holdco.

3.3.5 Management Team

China Holdco shall have a management team comprising of one (1) General Manager, Deputy General Managers, Assistant General Managers, one (1) Finance Officer and one (1) Deputy Finance Officer. The General Manager, one Deputy General Manager and the Deputy Finance Officer shall be nominated by HHPL. The General Manager nominated by HHPL shall be the legal representative of the China Holdco. One Deputy General Manager, one General Manager Assistant and the Chief Finance Officer shall be nominated by CITIC Port. The management team is accountable to the China Holdco Board and is responsible for the day-to-day management of the China Holdco.

3.3.6 Distribution of Dividends

The China Holdco's profit distribution to HHPL and CITIC Port shall be determined by way of a Board resolution. Unless otherwise agreed, the distribution of profits will be in accordance with the shareholders' respective contributions to the paid-up capital of the China Holdco.

3.3.7 Pre-emption rights to subscribe for new equity interest in the China Holdco

Unless otherwise stipulated in the Transaction Documents, both parties enjoy the pre-emption right according to their shareholding proportions for any increase in the share capital of the China Holdco. If either HHPL or CITIC Port chooses not to subscribe for the new equity interest, the other party will have the right of pre-emption to purchase over third parties. HHPL and CITIC Port agrees that notwithstanding this provision, the China Holdco shall not increase its share capital during the period leading up from the Completion Date to CITIC Port's Option Exercise Date.

3.3.8 Lock-up Period

Save for transfers to affiliates who directly holds its equity interest, HHPL and CITIC Port shall not transfer all or any part of the equity interest in the China Holdco held by it or otherwise, sell, dispose of or deal with all or any part of its equity interest within three (3) years from the Completion Date (the "Lock-up Period"), unless the other Shareholder consents to the transfer.

Save for transfers to his family members, Mr Gu personally undertakes not to transfer or reduce (directly or indirectly) his equity interest in the China Holdco during the Lockup Period, unless with the consent of CITIC Port.

After the Lockup Period, if either HHPL or CITIC Port decides to transfer any of its equity interest to a non-affiliated party, the Shareholders Agreement provides, *inter alia*, that a notice of transfer has to be given to the other party who has 30 days upon receipt of the transfer notice to apply for all or any of that party's interests.

3.3.9 Use of Proceeds Rules

Pursuant to the Shareholders Agreement, the China Holdco will be investing the Equity Subscription Consideration, any further subscription moneys received by the China Holdco from HHPL and CITIC Port, including but not limited to the Option Exercise Price solely for the China Holdco's business expansion, research and development, capital expenditures, payment of project fees and working uses as well as other uses that may be approved by the China Holdco Board.

3.4 **Basis of Equity Subscription Consideration and Equity Transfer Consideration**

The aggregate consideration ("**Total Consideration**") payable by CITIC Port upon Completion is the aggregate of RMB592,900,000, comprising of:

(1) Equity Subscription Consideration of RMB450,000,000 payable to the China Holdco for the Proposed Issue; and

(2) Equity Transfer Consideration of RMB142,900,000 payable to HHPL for the Proposed Disposal.

The Total Consideration was arrived at, following arm's length negotiations between HHPL and CITIC Port having taken into account all assets and rights of the China Holdco, including but not limited to China Holdco's consolidated undistributed profit, patents, trademarks, copyrights and all rights associated with intangible assets of the China Holdco.

The Total Consideration were mutually agreed upon by CITIC Port and HHPL based on valuations carried out by the Valuer of the China Holdco's assets, accumulated retained earnings, patents, trademarks, copyrights and intangible assets on 31 December 2016 (the "**Valuation Date**"). CITIC Port and HHPL have agreed that any loss or profit of the China Holdco from the Valuation Date onwards shall be shared between them in accordance to the shareholding proportion of 51:49.

Based on the Valuation, the total value placed on the China Holdco and its subsidiaries as at 31 December 2016 was RMB[777,414,000].

4. **CATALIST RULES' IMPLICATIONS**

4.1 **Chapter 8**

Chapter 8 of the Catalist Rules governs the change of capital of a company either by issuing additional equity securities or adjusting existing capital. Rule 805(2)(b) provides that a listed issuer must obtain the approval of shareholders in general meeting, if, *inter alia*, the issue of shares in its principal subsidiary results in a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary.

As a result of the Proposed Issue, the Company's effective equity interest in the China Holdco will be diluted from 65% to 40.82%. Therefore, the prior approval of Shareholders will be required before the Proposed Issue can be completed.

4.2 **Chapter 10**

Chapter 10 of the Catalist Rules governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Under Rule 1014, shareholders' approval must be obtained for 'major transactions'. Rule 1006 sets out the computation for relative figures. Shareholders' approval is required if any of the relative figures for the proposed transaction as computed on the basis set out in Rule 1006 exceeds 50% and such a transaction is classified as a 'major transaction'. Rule 1007(2) further provides that where the disposal of an issuer's interest in a subsidiary is undertaken in conjunction with an issue of shares by that subsidiary, the relative figures in Rule 1006 must be computed based on the disposal and the issue of shares.

The relative figures for the Proposed Transactions, computed on the bases set out in Rule 1006 the Catalist Rules and based on the Company's latest announced unaudited consolidated financial statements for the financial year ended 31 December 2016 are set out below.

4.2.1 **Scenario A**: Assuming that CITIC Port does not exercise the Option, and accordingly, the combined value of the Equity Subscription Consideration and Equity Transfer Consideration, aggregating RMB592,900,000 is received from CITIC Port:

Rule 1006	Bases	Relative Figures (%)
Rule 1006(a)	The NAV of the assets to be disposed of, compared with the Group's NAV as at 31 December 2016	49.8%
Rule 1006(b)	The net profits attributable to the assets to be disposed of, compared with the Group's net profits Under Rule 1002 (3)(b) of the listing manual, net profits is defined as profit or loss before income tax, minority interest and extraordinary items.	46.5%
Rule 1006(c)	The aggregate value of the net consideration received of [RMB142,900,000] from the Proposed Issue and Proposed Disposal compared with the Company's market capitalization of S$[34.18] million (equivalent to approximately [RMB 168,019,637]) (1)	85.05%
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable

Note:
(1)The market capitalisation is calculated based on 203,461,883 Shares in issue as at 23 February 2017 (being the last market day that the Company's Shares had transacted, preceding the date of signing of the Transaction Documents) and the volume weighted average price of S$0.168 of the Shares transacted on the SGX-ST on the same date.

Having regard to the above, Proposed Transactions (excluding the Option Exercise by CITIC Port) will constitute a "Major Transaction" under Rule 1014 of the Catalist Rules and accordingly, the Company is convening the EGM to seek the approval of Shareholders.

4.2.2 **Scenario B:** Assuming CITIC Port exercises the Option pursuant to the Proposed Grant of Option, which is conditional upon Scenario A, and further assuming that the Option Exercise Price is RMB50,000,000, being the price cap agreed by the parties, and accordingly, the combined value of the Equity Subscription Consideration and Equity Transfer Consideration and the Option Exercise Price, aggregating RMB642,900,000 is received from CITIC Port

Rule 1006	Bases	Relative Figures (%)
Rule 1006(a)	The NAV of the assets to be disposed of, compared with the Group's NAV as at 31 December 2016	2.0%
Rule 1006(b)	The net profits attributable to the assets to be disposed of, compared with the Group's net profits	1.9%
Rule 1006(c)	The aggregate value of the net consideration received of RMB192,900,000 from the Proposed Issue, Proposed Disposal and CITIC Port's Option Exercise pursuant to the Proposed Grant of Option, compared with the Company's market capitalization of S$[34.18] million (equivalent to approximately RMB 168,019,637) (1)	114.81%
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable

Note:
(1)The market capitalisation is calculated based on 203,461,883 Shares in issue as at 23 February 2017 (being the last market day that the Company's Shares had transacted, preceding the date of signing of the Transaction Documents) and the volume weighted average price of S$0.168 of the Shares transacted on the SGX-ST on the same date.

Having regard to the above, the Proposed Transactions (including the Option Exercise by CITIC Port) will similarly constitute a "Major Transaction" under Rule 1014 of the Catalist Rules and require Shareholders approval at the EGM.

4.3 **Shareholders' Approval for the Option**

Under Rule 1018(1) of the Catalist Rules, in the case of an option to acquire or dispose of assets, if the option is not exercisable at the discretion of the Company, shareholder approval

must be obtained at the time of the grant of the option. The Proposed Grant of Option is subject to Rule 1018(1) of the Catalist Rules for which Shareholders' approval is required.

4.4 **Possible Listing**

Shareholders should note that in the event CITIC Port exercises the Option to subscribe for additional 2% equity interest in the China Holdco, there may be an impact on the listing status of the Company pursuant to the Catalist Rules. It is important to note that CITIC Port may or may not exercise this Option. In any event, the Company will take all necessary steps to ensure full compliance with the listing requirements under the Catalist Rules and all directions from the SGX-ST.

5. **FINANCIAL INFORMATION**

5.1 **Value of the China Holdco and its subsidiaries**

Assuming that the Restructuring Exercise has been completed and based on the latest unaudited financial statements of the Group for FY2016, as at 31 December 2016, the consolidated [net tangible asset value] represented by 49% of the equity interest in the China Holdco was approximately RMB176,696,930(equivalent to approximately S$35,946,888).

As described above, Valuation were carried out by the Valuer. Based on the Valuation, the total value placed on the China Holdco and its subsidiaries as at 31 December 2016 was RMB777,414,000.

5.2 **Excess of the Consideration over the Book Value**

The Total Consideration, i.e. Equity Subscription Consideration and Equity Transfer Consideration represents an excess of RMB416,203,070 over the unaudited net tangible asset value of the 49% of the equity interest in the China Holdco as at 31 December 2016.

5.3 **Net Loss Attributable to the Target Companies, and the Gain on the Proposed Issue and Proposed Disposal**

Assuming that the Restructuring Exercise has been completed and the net loss of the China Holdco for the financial year ended 31 December 2016 were approximately RMB96,246,189, and the net loss attributable to 49% of the equity interest in the China Holdco is approximately RMB47,160,633. Assuming the Proposed Issue and Proposed Disposal had been completed on 31 December 2016, the Group would recognize a gain on disposal of approximately RMB52,188,148.

5.4 **Financial Effects**

The financial effects of the Proposed Transactions on the Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Proposed Transactions. The financial effects set out below have been prepared on a *pro forma* basis using the latest unaudited consolidated financial statement of the Group for the most recently completed financial year, being FY2016.

The *pro forma* financial effects of Scenario A and Scenario B are respectively set out in sections I and II below so as to illustrate the impact of the Option Exercise by CITIC Port on the Company.

(I) <u>Scenario A: Proposed Issue and Proposed Disposal</u>

5.4.1 <u>Share capital</u>

Scenario A has collectively no impact on the Company's share capital. However, as a result of the Proposed Issue and Proposed Disposal, the equity interest of the Company in the China Holdco, held through the Company's 65% subsidiary, HHPL, will be diluted from 100% to 51%.

5.4.2 NTA

Assuming that the Proposed Issue and Proposed Disposal had been completed on 31 December 2016 and based on the Group's unaudited consolidated financial statements for FY2016, the effects on the NTA per share of the Group are as follows:

As at 31 December 2016	Pre-Scenario A	Post-Scenario A
NTA (RMB'000)	170,356	222,544
Number of issued shares	203,461,883	203,461,883
NTA per share (RMB fen)	83.73	109.38

5.4.3 EPS

Assuming that the Proposed Issue and Proposed Disposal has taken place on 1 January 2016 and based on the Group's consolidated financial statements for FY2016, the Proposed Issue and Proposed Disposal would have the following effects on the Group's loss per share as presented in the following table:

FY2016	Pre-Scenario A	Post-Scenario A
Profit after tax attributable to Shareholders (RMB'000)	(67,801)	(15,613)
Weighted average number of Shares	203,461,883	203,461,883
Earning/(loss) per Share (RMB fen)	(33.32)	(7.67)

5.4.4 Gearing

Assuming that the Proposed Issue and Proposed Disposal had been completed on 31 December 2016, the effect of Scenario A on the gearing of the Group as at 31 December 2016 would have been as follows:

As at 31 December 2016	Pre-Scenario A	Post-Scenario A
Net Debt (RMB'000)	1,196,004	603,104
Shareholders' Funds (RMB'000)	337,620	371,542
Gearing (1) (times)	3.54	1.62

Note:
(1) "Gearing" means the ratio of net debt to Shareholders' Funds

(II) Scenario B: Proposed Issue, Proposed Disposal and Option Exercise by CITIC Port pursuant to the Proposed Grant of Option

5.4.5 Share capital

Scenario B has collectively no impact on the Company's share capital. However, as a result of the Proposed Issue and Proposed Disposal and Option Exercise, the equity interest of the Company in the China Holdco, held through the Company's 65% subsidiary, HHPL, will be diluted from 100% to 49%.

5.4.6 NTA

Assuming that the Proposed Issue and Proposed Disposal and Option Exercise had been completed on 31 December 2016 and based on the Group's unaudited consolidated financial statements for FY2016, the effects on the NTA per share of the Group are as follows:

As at 31 December 2016	Pre-Scenario B	Post-Scenario B
NTA (RMB'000)	170,356	248,146
Number of issued shares	203,461,883	203,461,883
NTA per share (RMB fen)	83.73	121.96

5.4.7 EPS

Assuming that the Proposed Issue and Proposed Disposal and Option Exercise has taken place on 1 January 2016 and based on the Group's unaudited consolidated financial statements for FY2016, the Proposed Issue and Proposed Disposal and Option Exercise would have the following effects on the Group's earning/(loss) per share as presented in the following table:

FY2016	Pre-Scenario B	Post-Scenario B
Profit after tax attributable to Shareholders (RMB'000)	(67,801)	9,989
Weighted average number of Shares	203,461,883	203,461,883
Earning/(loss) per Share (RMB fen)	(33.32)	4.91

5.4.8 Gearing

Assuming that the Proposed Issue and Proposed Disposal and Option Exercise had been completed on 31 December 2016, the effect of Scenario B on the gearing of the Group as at 31 December 2016 would have been as follows:

As at 31 December 2016	Pre-Scenario B	Post-Scenario B
Net Debt (RMB'000)	1,196,004	553,104
Shareholders' Funds (RMB'000)	337,620	388,184
Gearing (1) (times)	3.54	1.42

Note:
(1) "Gearing" means the ratio of net debt to Shareholders' Funds

6. RATIONALE AND USE OF PROCEEDS

6.1 Given that the China Holdco and its subsidiaries are in the business of building, owning and operating petrochemical terminals, including petrochemical port facilities and oil product storage tanks and providing warehousing and logistics services for third parties and land transportation in China, the joint venture between HHPL and CITIC Port will allow the China Holdco to expand its existing operations in China. The parties may leverage on each other's expertise and strong track records to expand and/or strengthen their local and overseas markets in the petrochemical logistics services industry and to add value to each other's business operations.

6.2 The China Holdco and its subsidiaries are likely to benefit from lower financing costs in China after CITIC Port becomes an investment partner.

6.3 The Proposed Transactions will provide for an injection of funds (comprising of at least the Equity Subscription Consideration and Equity Transfer Consideration) which is necessary for the Group to accelerate its project development and reduce the Group's debt to equity gearing ratio to a reasonable level.

6.4 The Group intends to use the net proceeds of the Proposed Issue and Proposed Disposal to strengthen its capital bases, support its existing business development and provide liquidity for business expansion through acquisitions, joint ventures and collaborations as and when opportunities arise.

6.5 The estimated costs and expenses related to the Proposed Issue and Proposed Disposal is approximately S$3,000,000. The Company intends to use the net proceeds from the Proposed Issue and Proposed Disposal for the following purposes:

Use of net proceeds	**Dollar Amount of net proceeds (S$000)**	**Percentage of net proceeds**
Investments and mergers and acquisitions	14,241	10.9%
Working capital (including repayment of trade payables, shareholders loans, loans extended by CITIC)	108,005	82.6%
Business expansion	8,544	6.5%
Total	130,790	100%

Note:
(1) The net proceeds are converted based on the exchange rate of RMB4.9155 to S$1.

The Company intends to use part of the net proceeds allocated for working capital for, inter alia, the repayment of trade payables, shareholders loans, loans extended by CITIC in the ordinary course of business.

6.6 Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds may be placed as deposits with financial institutions or invested in short-term money markets or used for any other purposes on a short-term basis.

7. OTHER MATTERS

7.1 Interests of Directors and Substantial Shareholders

Pursuant to a consultancy agreement entered into between the Company, HHPL, Mr Gu and Jadestone Development Limited ("**Jadestone**") on 23 May 2016, the Company shall pay Jadestone a success fee of 1% in cash of the total investment amount received by the Group. Accordingly, a success fee will be payable to Jadestone in respect of the Proposed Transactions. Mr Xie Yu, the non-executive director of the Company, is the ultimate shareholder of Jadestone.

Save as disclosed above, none of the Directors or controlling shareholders of the Company has any direct or indirect interest in the Transaction Documents or the Proposed Transactions, other than through their respective shareholdings in the Company.

7.2 EGM and Circular

A circular containing further information on the Proposed Transactions and the other matters contemplated under the Transaction Documents and enclosing the notice of the extraordinary general meeting of the Company will be despatched by the Company to shareholders in due course.

7.3 Service Contracts of the Directors

Save as disclosed above, no other person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal.

7.4 Directors responsibility statement

The Directors 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 Transaction Documents and the Proposed Transactions, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

7.5 Cautionary Statement

Shareholders should note that the Proposed Transactions are subject to fulfilment of certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Transactions will materialize. Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisers if they have any doubts about the actions they should take.

7.6 Documents Available For Inspection

A copy of the following documents will be available for inspection during normal business hours at the Company's registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 for three (3) months from the date hereof.

(a) Subscription Agreement;

(b) Equity Transfer Agreement; and

(c) Shareholders Agreement.

By Order of the Board
Mr Gu Wenlong
Executive Chairman and Chief Executive Officer
19 March 2017

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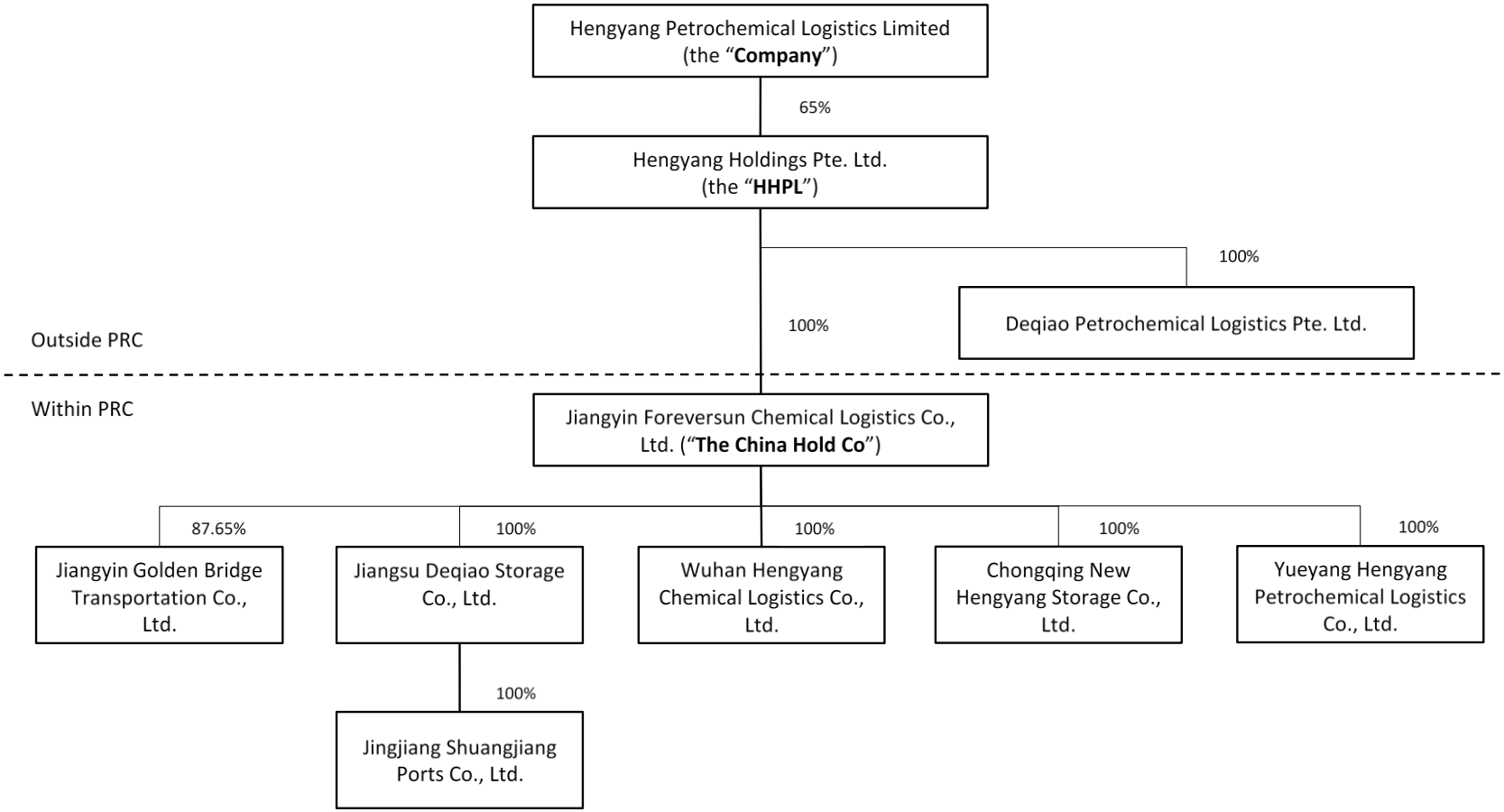
*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST*

assume 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 persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist and Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

Appendix I

Part A – Corporate Structure of the Group as at the date of this Announcement



Part B – Corporate Structure of the Group immediately after Completion

