HENGYANG PETROCHEMICAL LOGISTICS LIMITED
(Incorporated in Singapore on 23 April 2008)
(Company Registration Number: 200807923K)

PROPOSED ACQUISITION OF AN ADDITIONAL 21% EQUITY INTEREST IN ODFJELL NANGANG TERMINALS (TIANJIN) CO., LTD. (天津南港奥德费尔码头仓储有限公司)

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1. INTRODUCTION

1.1. The board of directors (the "**Board**" or the "**Directors**") of Hengyang Petrochemical Logistics Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Jiangyin Foreversun Chemical Logistics Co., Ltd. (the "**China Holdco**"), a 49%-owned joint venture company of the Company, intends to acquire an additional 21% of the total paid-up registered capital of Odfjell Nangang Terminals (Tianjin) Co., Ltd. (天津南港奥德费尔码头仓储有限公司) (the "**Target**") (the "**Sale Equity**") from Tianjin Nangang Industrial Zone Ports Co., Ltd. (天津南港工业区港务有限公司) (the "**Vendor**") (the "**Proposed Acquisition**").

1.2. The Company had previously, on 21 June 2022, made an announcement (the "**Earlier Announcement**") in relation to the proposed acquisition of 49% of the total paid-up registered capital of the Target by the China Holdco from Odfjell Terminals Asia Pte. Ltd. ("**Odfjell Terminals Asia**") (the "**49% Acquisition**"). The 49% Acquisition was completed on 23 June 2022 following the fulfilment of the conditions precedent set out in the Earlier Announcement. Following the completion of the 49% Acquisition, the China Holdco has become the 49% shareholder of the Target.

1.3. The Vendor is the 51% shareholder of the Target. As the Vendor is a state-owned holding company, the Sale Equity is considered to be a state-owned asset under the laws of the People's Republic of China (the "**PRC**"). In accordance with the Measures for the Supervision and Administration of the Transactions of State-owned Assets of the Enterprises (企业国有资产交易监督管理办法) jointly issued by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "**SASAC**") and the Ministry of Finance of the PRC, relevant approval by the supervisory bodies for state-owned assets is required for any transfer of assets by a state-owned enterprise and such transfer is required to be conducted publicly through an equity exchange (the "**Open Tender Process**"). Accordingly, the Vendor has put up the Sale Equity for sale by way of public tender (the "**Tender**") administered by the Tianjin Property Rights Exchange (天津产权交易中心) (the "**Tianjin Exchange**") in the PRC on 29 June 2022. The Tender for the Sale Equity administered by the Tianjin Exchange will be open for 20 business days and will close on 26 July 2022.

1.4. Based on the valuation of the Target of approximately RMB107.2 million as at 30 June 2021 commissioned by the Vendor ("**Vendor's Valuation**"), the China Holdco intends to submit its bid (the "**China Holdco's Bid**") in respect of the Sale Equity at RMB22,502,600 (the "**Consideration**"). If the China Holdco's Bid is successful, the China Holdco and the Vendor will then enter into further definitive agreement(s) in connection with the transfer of the Sale Equity for the purposes of the Proposed Acquisition (the "**Definitive Agreement(s)**") following the conclusion of the Tender. For the avoidance of doubt, the Definitive Agreement(s) will be consistent with the standard terms applicable to state-owned assets put up for sale by way of public tender administered by the Tianjin Exchange ("**Standard Terms**") without any material deviations. Further details on the Open Tender Process and the Tender are set out in sections 5 and 6 below.

1.5. In the event that the China Holdco's Bid is successful, together with the 49% equity interest in the Target held by the China Holdco pursuant to the 49% Acquisition completed on 23 June 2022, the China Holdco will collectively hold 70% equity interest in the Target upon completion of the Proposed Acquisition ("**Completion**"). The Vendor will continue to hold the remaining 30% of the equity interest in the Target following Completion.

2. INFORMATION ON THE TARGET AND THE VENDOR

2.1. The Target and its Principal Activities

The following information about the Target is extracted based on the due diligence undertaken by the Company on the Target:

(a) The Target is a joint venture company established in 2011 between Odfjell Terminals Asia and the Vendor. The Target's terminal is strategically located at Tianjin Port, on Bohai Bay, in the Nangang Industrial Zone (the "**Nangang Industrial Zone**") and is the nearest port to the production areas of the North and Northwest hinterland of the PRC and the link to Middle/West Asia. It is also the closest port to Beijing.

(b) The Nangang Industrial Zone is a green field development, and is planned by the government of the PRC to be the largest petrochemical zone in Northeast PRC. It is expected to accommodate the production of over 200 different petrochemicals.

(c) The Target commenced operations in 2016.

(d) As at 31 March 2022, the Target owns 26 storage tanks with a total storage capacity of 137,800 cubic meters (including 7,000 cubic meters stainless steel storage capacity) and three ship docks.

Based on the latest available unaudited financial statements of the Target, as at 31 March 2022, the book value and the net tangible liabilities value attributable to the Sale Equity was RMB6.26 million and RMB16.07 million respectively. The net losses before tax for the financial year ended 31 December 2021 ("**FY2021**") and the three months ended 31 March 2022 ("**1Q2022**") attributable to the Sale Equity amounted to RMB13.84 million and RMB3.28 million respectively.

2.2. The Target's Registered Capital and Equity Holding Structure

As at the date of this announcement, the paid-up registered capital of the Target is RMB342,000,000, with its equity holding structure as follows:

Name of shareholder	Paid-up registered capital	Percentage equity interest in the Target
The Vendor (namely, Tianjin Nangang Industrial Zone Ports Co., Ltd.), incorporated in PRC	RMB174,420,000	51%

Name of shareholder	Paid-up registered capital	Percentage equity interest in the Target
The China Holdco (namely, Jiangyin Foreversun Chemical Logistics Co., Ltd.), incorporated in PRC	RMB167,580,000	49%
Total	RMB342,000,000	100%

2.3. The Vendor

The Vendor is a state-owned holding company which is lawfully established and validly existing under the laws of the PRC with a registered capital of about RMB549,520,000. The Vendor is wholly-owned by Tianjin Economic and Technological Development Zone Nangang Development Group Co., Ltd. (天津经济技术开发区南港发展集团有限公司).

The Vendor is primarily involved in the construction and development of the port area, as well as port operations and management within the Nangang Industrial Zone.

As at the date of this announcement, the Vendor holds 51% of the equity interest in the Target. If the China Holdco's Bid is successful, the Vendor will sell the Sale Equity to the China Holdco at the Consideration in accordance with the Standard Terms. Following Completion, the Vendor will continue to retain 30% of the equity interest in the Target.

The Vendor is an independent third party which is not related to any of the Directors, controlling shareholders of the Company and/or their respective associates. The Vendor also does not hold any shares, directly or indirectly, in the Company.

3. VALUATION OF THE TARGET

3.1. The valuation of the Target based on the Vendor's Valuation is approximately RMB107.2 million as at 30 June 2021. Based on the Vendor's Valuation, the Sale Equity has a value of approximately RMB22,502,600.

3.2. In connection with the Proposed Acquisition, the China Holdco has engaged Northern Tianjin Torch Asset Valuation Co., Ltd. (天津津北火炬资产评估有限公司) as an independent valuer (the "**Valuer**") to determine the value of 100% of the equity interest in the Target.

3.3. The Valuer was established in 2008. As at 31 December 2021, the Valuer has more than 50 experienced professionals who have rich appraisal experience, presided over many major appraisal businesses, and have a good professional quality and working level. The Valuer is accredited by the China Appraisal Society, a self-disciplinary organization of the appraisal profession under the supervision, regulation and guidance of the Ministry of Finance in the PRC. The Valuer has also undertaken valuation work for companies such as Tianjin FAW Toyota Motor Co., Ltd. and Zhenhua Logistics (Tianjin) Co., Ltd. (a 63%-owned subsidiary of China International Marine Containers (Group) Co., Ltd., a company with shares listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange).

3.4. A summary of the valuation report or a valuation certificate to be issued by the Valuer will be set out in the circular to be despatched to the shareholders of the Company (the "**Shareholders**") in due course.

4. RATIONALE FOR THE PROPOSED ACQUISITION

4.1. As set out in the Earlier Announcement, the Proposed Acquisition is in line with the Group's strategic efforts in further enhancing its competitiveness and influence in the petrochemicals industry in the PRC. The China Holdco is seeking to diversify its operations beyond petrochemical logistics alone and is in the process of transitioning towards providing a full suite of services in the petrochemicals industry, including but not limited to constructing and developing a smart logistics system, creating an accessible logistics channel for liquid petrochemical products and providing integrated solutions in the field of supply chain management. Given the difficulty in obtaining the requisite initial approvals for the construction of new petrochemical terminals and storage projects and the long construction periods thereof, the Proposed Acquisition is a key step in realising the Group's development strategy. Following Completion, the China Holdco's equity interest in the Target will increase from 49% to 70%, further facilitating the China Holdco's entry into the coastal economic belt and enhancing the China Holdco's ability to obtain coastal petrochemical storage resources at a reasonable cost.

4.2. Prior to the 49% Acquisition, the China Holdco already has five storage areas for hazardous chemicals in the Yangtze River Basin and has largely completed its petrochemical logistics network along the Yangtze River. The Target also has a complete set of working facilities and equipment which are relatively new (the "**Available Facilities**") but which are currently under-utilised. The Group believes that the Available Facilities can be better and more fully utilised. As such, the Proposed Acquisition and the corresponding increase in the China Holdco's equity interest in the Target following Completion is expected to have a positive impact on the capital, profitability and financial position of the Group in the long run with more efficient and effective utilisation of the Available Facilities.

4.3. Further, the increase in the China Holdco's equity interest in the Target following Completion will strengthen the China Holdco's control over the Target, allowing the China Holdco to utilise the Available Facilities while leveraging its extensive operating experience and talent pool in the field of storage of hazardous chemicals, placing the China Holdco in a better position to smoothly undertake or take over the preparation and construction works of various projects in an efficient manner.

4.4. Given the potential synergies and efficiencies which will be created by the Proposed Acquisition, the Board believes that the Proposed Acquisition is in the interests of the Group and the Shareholders in the long run. The Proposed Acquisition is undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group.

5. THE OPEN TENDER PROCESS AND THE ENTRY INTO DEFINITIVE AGREEMENT(S)

The Proposed Acquisition is subject to the Open Tender Process as the Sale Equity is considered to be a state-owned asset in the PRC. The Open Tender Process comprises the following steps:

(a) **Submission of tenders during the Tender**: Subject to the receipt of approval from the Shareholders for the Proposed Acquisition, the China Holdco will submit the China Holdco's Bid prior to the close of the Tender on 26 July 2022. For compliance with the applicable laws and regulations in the PRC and the requirements of the Tianjin Exchange, the Tender shall be subject to and based on the Standard Terms.

(b) **<u>Conclusion of Tender</u>**: After the close of the Tender, Tianjin Exchange will process all the bids submitted. In general, the highest bidder or the only bidder will be the successful bidder of the Sale Equity. The successful bidder will then be required to pay a deposit (of not more than 30% of the successful bid amount) into the escrow account designated by the Tianjin Exchange within the stipulated timeframe (in general, within three business days from the date of notification of the successful bid), enter into the Definitive Agreement(s) for the Proposed Acquisition with the Vendor and pay the remaining consideration within three business days after the completion of the procedures in relation to the change of business registration for the Proposed Acquisition.

6. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

6.1. Overview of the Proposed Acquisition

The Proposed Acquisition shall be undertaken in accordance with the Standard Terms. The China Holdco may not depart from the Standard Terms in undertaking the Proposed Acquisition. Following the conclusion of the Tender, if the China Holdco's Bid is successful, the China Holdco and the Vendor will then enter into the Definitive Agreement(s) and will undertake the relevant procedures to complete the Proposed Acquisition.

6.2. Consideration

The Consideration amounting to RMB22,502,600 is equivalent to the Vendor's Valuation of the Sale Equity and was arrived at taking into account, among other things, the prospects of the Target, the synergies to the Group arising from the Proposed Acquisition and the rationale and benefits to the Group for the Proposed Acquisition as set out in section 4 of this announcement.

6.3. Deposit

Based on the Standard Terms, the China Holdco expects to make payment of a deposit of RMB5,000,000 (the "**Deposit**") to the Tianjin Exchange's designated bank account prior to the execution of the Definitive Agreement(s), for the purposes of, among other things, securing the China Holdco's due performance of its obligations under the Definitive Agreement(s). The Deposit shall be used to offset the Consideration payable for the Sale Equity.

6.4. Conditions Precedent

The Proposed Acquisition is subject to and is required to be undertaken in accordance with the Standard Terms. The Standard Terms do not contain any conditions precedent to the Proposed Acquisition.

6.5. Completion

Completion shall occur on the date on which the Sale Equity is transferred by the Vendor to the China Holdco and the relevant registration procedures and formalities in connection with such transfer are completed in the PRC (the "**Completion Date**").

6.6. Other key terms of the Proposed Acquisition

Other key terms of the Proposed Acquisition include the following:

(a) The Target has an existing outstanding bank loan in the aggregate amount of RMB667,040,000 owed to a financial institution in the PRC (the "**Bank**") (the "**Existing Bank Loan**"). Following Completion, the China Holdco and the Vendor shall provide corporate guarantees in favour of the Bank in accordance with their respective equity holding percentages in the Target.

(b) Following Completion, all shareholders of the Target shall make *pro rata* capital injection to the Target to strengthen the financial position of the Target. The capital injection (amount to be determined) shall be made within a month from Completion.

(c) The transaction reference date shall be 30 June 2021 (the "**Transaction Reference Date**"). Any profit or loss generated or risks arising between the Transaction Reference Date and the Completion Date shall be borne by the shareholders of the Target following Completion.

(d) The Target shall complete the relevant procedures and formalities in connection with the transfer of the Sale Equity within 30 days from the date on which the Definitive Agreement(s) is executed.

7. SOURCE OF FUNDS

The Consideration of RMB 22,502,600 for the Proposed Acquisition will be funded by internal resources of the China Holdco.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

8.1. Assumptions

The *pro forma* financial effects of the Proposed Acquisition as set out below are for illustrative purposes only and do not reflect the actual financial position or the future financial performance 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 and the Target for FY2021. The *pro forma* financial effects of the Proposed Acquisition 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 2021;

(ii) The Proposed Acquisition had been completed on 31 December 2021 for the purposes of computing the *pro forma* financial effects on the net tangible assets ("**NTA**") of the Group;

(iii) The Proposed Acquisition had been completed on 1 January 2021 for the purposes of computing the *pro forma* financial effects on the losses per Share ("**LPS**") of the Group for FY2021; and

(iv) No goodwill recognised for the purpose of *pro forma* financial effects as the Consideration is the same as the Vendor's Valuation of the Sale Equity as set out in section 3.1 of this announcement. However, a purchase price allocation exercise will be carried out and the financial impact of the Proposed Acquisition will be adjusted in due course.

The *pro forma* financial effects are largely based on the valuation on the Sale Equity as mentioned in section 3 of this announcement, and thus may be materially different from the actual valuation. Therefore, the *pro forma* financials set out in the following paragraphs may differ significantly from the audited financial statements for the current year ending 31 December 2022.

8.2. Effects on NTA per Share

		As at 31 December 2021	Immediately after the completion of the 49% Acquisition	Immediately after the completion of the Proposed Acquisition
NTA (RMB'000)	:	552,922	578,649	578,649
Number of Shares	:	203,461,883	203,461,883	203,461,883
NTA per Share (RMB cents)	:	271.76	284.40	284.40

8.3. Effects on LPS

		FY2021	Immediately after the completion of the 49% Acquisition	Immediately after the completion of the Proposed Acquisition
Loss attributable to Shareholders (RMB'000)	:	(23,568)	(13,662)	(20,442)
Number of Shares	:	203,461,883	203,461,883	203,461,883
LPS (RMB cents)	:	(11.58)	(6.71)	(10.05)

9. APPLICATION OF CHAPTER 10 OF THE CATALIST RULES – THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

9.1. Rule 1005 of the Catalist Rules

Rule 1005 of Chapter 10 of Section B: Rules of Catalist of the listing manual (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") states that, in determining whether a transaction is a non-discloseable transaction, discloseable transaction, major transaction, very substantial acquisition or reverse takeover, the SGX-ST may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.

As the Proposed Acquisition and the 49% Acquisition (collectively, the "**Relevant Transactions**") both involve acquisitions of equity interest in the Target by the China Holdco and are intended to be completed within the same 12 months' period, the Proposed Acquisition has been aggregated with the 49% Acquisition in determining the nature of the Proposed Acquisition.

9.2. Relative Figures under Rule 1006 of the Catalist Rules

The relative figures for the Proposed Acquisition aggregated with the 49% Acquisition (that is, the Relevant Transactions) as computed on the bases set out in Rule 1006 of the Catalist Rules and the latest announced financial statements, being the consolidated unaudited financial statements of the Group, and the unaudited management accounts of the Target for 1Q2022, are as follows:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable[(1)]
(b)	Net losses attributable to the 70% equity interest in the Target to be acquired pursuant to the Relevant Transactions, compared with the Group's net losses.	73.75%[(2)]
(c)	Aggregate value of the consideration given for the 70% equity interest in the Target to be acquired pursuant to the Relevant Transactions, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	98.75%[(3)]
(d)	The number of equity securities issued by the Company as consideration for the Relevant Transactions, 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) Not applicable as the Relevant Transactions are in relation to the acquisition of assets.

(2) "Net losses" means loss before income tax and non-controlling interests. Based on the latest unaudited consolidated financial statements of the Target and the Group for 1Q2022, the net losses attributable to the 70% equity interest in the Target pursuant to the Relevant Transactions is RMB5.36 million and the net losses of the Group is RMB7.26 million.

(3) Under Rule 1002(5) of the Catalist Rules, "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 this announcement. Accordingly, the market capitalisation of the Company is based on 203,461,883 Shares in issue and the weighted average price of

S$0.245 of the Shares transacted on 12 April 2022, being the last market date preceding the date of this announcement that the Shares were traded, and as such the market capitalisation for the purposes of the Relevant Transactions is S$49,848,161. The consideration for the Relevant Transactions (the "**Total Consideration**") consists of the following:

(a) In relation to the 49% Acquisition:

(i) A nominal amount of RMB10; and

(ii) The assumption by the China Holdco of the corporate guarantee previously provided by Odfjell Terminals Asia (that is, the vendor in the 49% Acquisition) in relation to 49% of the Target's Existing Bank Loan quantum, being RMB160,156,304,

amounting to a total of RMB160,156,314; and

(b) In relation to the Proposed Acquisition, the Consideration of RMB22,502,600 and the assumption by the China Holdco of the corporate guarantee in relation to the additional 21% equity interest of the Target's Existing Bank Loan quantum, being RMB68,638,000.

In light of the above, the Total Consideration is in the amount of RMB239,820,588, approximately S$49,223,248 based on the exchange rate of 4.8721 Chinese Yuan to one Singapore Dollar (being the exchange rate of Chinese Yuan to Singapore Dollar on 31 May 2022).

(4) Not applicable as there will be no issuance of shares as consideration for the Relevant Transactions.

(5) Not applicable as the Company is not a mineral, oil or gas company.

9.3. Major Transaction

As the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceed 75% but do not exceed 100%, the Proposed Acquisition (aggregated with the 49% Acquisition) constitutes a "major transaction" as defined in Chapter 10 of the Catalist Rules. Accordingly, the approval of the Shareholders is required for the Proposed Acquisition.

The Company will convene an extraordinary general meeting ("**EGM**") to seek the approval of Shareholders for the following (the "**Proposed Resolutions**"):

(a) Participation in the Tender and submission of the China Holdco's Bid in respect of the Sale Equity; and

(b) Entry into the Definitive Agreement(s) following the conclusion of the Tender.

A circular containing, *inter alia*, the details of, together with the opinions and recommendations of the Directors in relation to the Proposed Resolutions and enclosing the notice of EGM in connection therewith, will be despatched to Shareholders in due course.

10. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS OR THEIR ASSOCIATES IN THE PROPOSED ACQUISITION

None of the Directors (other than in his capacity as a Director or Shareholder, as the case may be), substantial Shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Acquisition.

11. DIRECTORS' SERVICE CONTRACTS

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

12. 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 Proposed Acquisition, the Company and its subsidiaries (including its joint venture company, that is, the China Holdco), 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 this announcement and the circular in its proper form and context.

13. DOCUMENTS FOR INSPECTION

As at the date of this announcement, no documents in relation to the Proposed Acquisition are available for inspection. Copies of the draft Definitive Agreement(s) and the valuation report to be issued by the Valuer will be made available for inspection during normal business hours at the registered office of the Company at 10 Anson Road, #25-06 International Plaza, Singapore 079903 for a period of three (3) months after the notice of EGM.

14. 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 China Holdco will be successful in the Tender and the Proposed Acquisition 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 Acquisition, the Tender, the Definitive Agreement 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
Director and Chief Executive Officer

30 June 2022

*This announcement has been reviewed by the Company's Sponsor, Xandar Capital Pte Ltd ("**Sponsor**"). This announcement has not been examined or approved by Singapore Exchange Securities Trading Limited (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 Ms Pauline Sim, Head of Corporate Finance, at 3 Shenton Way, #24-02 Shenton House, Singapore 068805, telephone (65) 6319 4954.*