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

PROPOSED ACQUISITION OF 49% OF THE 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, had on 21 June 2022 entered into an equity transfer agreement (the "**Agreement**") with Odfjell Terminals Asia Pte. Ltd. (the "**Vendor**") in respect of the acquisition by the China Holdco of 49% 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**"), representing the entire interest in the Target held by the Vendor, upon the terms of and subject to the conditions in the Agreement (the "**Proposed Acquisition**").

1.2. Upon the completion of the Proposed Acquisition, the China Holdco will become the 49% shareholder of the Target.

1.3. The Proposed Acquisition, if undertaken and completed, is expected to result in a discloseable transaction under Chapter 10 of Section B: Rules of Catalist of the listing manual ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

2. INFORMATION ON THE TARGET AND THE VENDOR

2.1. <u>The Target and its Principal Activities</u>

The following information about the Target are extracted from the public documents of Odfjell SE, a company listed on the Oslo Stock Exchange. Odfjell SE is the ultimate holding company of the Vendor.

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

- Nangang Industrial Zone is a green field development, and 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.

- The Target commenced operations in 2016.

- 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 of stainless steel storage capacity) and three ship docks.

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	Equity holding percentage in the Target
Tianjin Nangang Industrial Zone Ports Co., Ltd. ("**NPCo**"), incorporated in PRC	RMB174,420,000	51%
The Vendor (namely, Odfjell Terminals Asia Pte. Ltd.), incorporated in Singapore	RMB167,580,000	49%
Total	**RMB342,000,000**	**100%**

2.3. The Target's Bank Loan

As at the date of this announcement, 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**"), to be repaid in instalments with the final instalment due by 20 September 2028.

The Existing Bank Loan is secured by, among other things, corporate guarantees provided by the Vendor (and its related entity) and NPCo in favour of the Bank in accordance with their respective equity holding percentages in the Target. For the avoidance of doubt, the Vendor (and its related entity) has provided a corporate guarantee in favour of the Bank in respect of 49% of the Existing Bank Loan quantum (the "**Vendor's Corporate Guarantee**").

2.4. The Vendor

The Vendor is a 51%-owned subsidiary of Odfjell SE. According to the website of Odfjell SE, Odfjell SE and its subsidiaries ("**Odfjell Group**") are the world-leading logistics service provider for chemicals and other specialty bulk liquids. As at 31 March 2022, Odfjell Group has interests in five (5) terminals (comprising the Target, two terminals in the United States of America, one in Belgium and one in South Korea) for storage of vital liquids, chemicals and oil products with a total storage capacity of 1.3 million cubic meters. Odfjell Group sold its share of interests in a terminal in Jiangyin, PRC in 2019 and its share of interests in a terminal in Dalian, PRC in 2020.

As at the date of this announcement, the Vendor holds 49% 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 SALE EQUITY

There was no independent valuation conducted on the Sale Equity for the purposes of the Proposed Acquisition. However, NPCo had commissioned a valuer in PRC to undertake an independent valuation on the Target for its own use and had shared the valuation report with the China Holdco. Based on the valuation report, the 100% equity interest in the Target had a valuation of approximately RMB107.2 million as at 30 June 2021.

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 RMB14.62 million and RMB37.49 million respectively. The net losses before tax for the financial year ended 31 December 2021 ("**FY2021**") and the three months ended 31 March 2022 ("**3M2022**") attributable to the Sale Equity amounted to RMB32.29 million and RMB7.65 million, respectively.

4. RATIONALE FOR THE PROPOSED ACQUISITION

4.1. While the Group will only be acquiring 49% of the Target, the Proposed Acquisition is in line with the Group's strategic efforts in enhancing its competitiveness and influence in the petrochemicals industry in 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 as it facilitates the China Holdco's entry into the coastal economic belt and presents an opportunity for the China Holdco to obtain coastal petrochemical storage resources at a reasonable cost.

4.2. In addition, the China Holdco currently has five storage areas for hazardous chemicals in the Yangtze River Basin and has largely completed its petrochemical logistics network along the Yangtze River. As the Target is currently under-utilized and the Group wishes to make full use of the existing facilities, the Proposed Acquisition and the addition of the Target to the business of the Group will have a positive effect on the capital, profitability and financial position of the Group in the long run.

4.3. Further, the Proposed Acquisition will allow 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 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 of the Company ("**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. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1. Overview of the Proposed Acquisition

Pursuant to the Agreement, the Vendor shall sell the Sale Equity to the China Holdco. Upon the completion of the Proposed Acquisition ("**Completion**"), the China Holdco will become the 49% shareholder of the Target.

5.2. **Consideration**

In accordance with Rule 1006 of the Catalist Rules, the aggregate consideration for the purchase of the Sale Equity consists of the following (collectively, the "**Consideration**"):

(a) A nominal amount of RMB10, which shall be payable by the China Holdco to the Vendor in cash within five (5) business days upon the receipt of the relevant approvals for the remittance of the nominal amount to the Vendor's bank account in Singapore; and

(b) The China Holdco will take over the Vendor's Corporate Guarantee and will assume all obligations in connection therewith (the "**Assumption of the Vendor's Corporate Guarantee**"). As such, following Completion, the China Holdco will be the corporate guarantor to the Bank in respect of 49% of the Existing Bank Loan quantum in place of the Vendor.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, among other things, the valuation of the Target set out in Section 3 of this announcement, the prospects of the Target and the rationale and benefits to the Group for the Proposed Acquisition as set out in Section 4 of this announcement.

5.3. **Conditions Precedent to Completion**

Completion is conditional upon, among other things, the fulfilment and satisfaction of the following conditions precedent ("**Conditions Precedent**"):

(a) the execution of the agreement between the Vendor and the Bank, pursuant to which the Bank shall fully release and discharge the Vendor of all of its duties and obligations under the Vendor's Corporate Guarantee, and explicitly provides that such release and discharge will come into effect from Completion;

(b) the execution of an agreement between the Vendor and the Target, under which the Vendor agrees to fully waive amounts due from the Target to the Vendor (including shareholder's loan with aggregating RMB74.95 million granted by the Vendor to the Target and interests thereon) which will come into effect from Completion;

(c) the execution of an agreement between the Vendor, the Target and NPCo pursuant to which NPCo shall release and discharge the Vendor of all of its duties and obligations under the corporate guarantee provided by the Vendor to NPCo of the shareholder's loan granted by NPCo to the Target aggregating RMB1.5 million which will come into effect from Completion;

(d) the necessary internal authorisations and approvals having been obtained for the Proposed Acquisition in accordance with applicable laws and the articles of association of relevant parties to the Agreement, including but not limited to the board of directors of the Target having passed a resolution approving the Proposed Acquisition, there having been no event which may prohibit or restrict the transfer of the Sale Equity, or such event having been relieved or relevant conditions having been fulfilled;

(e) NPCo's right of first refusal to acquire the Sale Equity having been waived or otherwise lapsed; and

(f) the government registration or filing of the relevant government entity of competent jurisdiction in relation to the Proposed Acquisition having been completed in accordance with applicable laws, including completion of the registration of the release of equity pledge in respect of the Sale Equity.

5.4. **Completion**

Completion shall occur on the date when the registration procedures (comprising the application and registration of the documents relating to the Proposed Acquisition with (i) the Department of Commerce of Tianjin (or its delegate); (ii) the State Administration for Market Regulation of the PRC and/or its competent local branches or the market supervision and administration bureau with similar company registration function of the aforementioned authority and/or its competent local branches, as appropriate; and (iii) the State Administration of Foreign Exchange (including its relevant local counterparts and designated banks) are completed.

5.5. **Other key terms of the Proposed Acquisition**

Other key terms of the Proposed Acquisition include the following:

(a) The Target will be entitled to make use of the trade name "Odfjell" in its company names for a transition period of maximum sixty (60) Business Days after Completion.

(b) The Vendor and the China Holdco having furnished representations and warranties typical for transactions of a similar nature.

(c) The date falling three (3) months after the date of the Agreement or such other date as otherwise agreed by the parties to the Agreement in writing.

6. SOURCE OF FUNDS

The Proposed Acquisition will be funded by internal resources of the Group.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1. **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; and

(iv) The Group will register a gain on acquisition of approximately RMB25.7 million from the Proposed Acquisition based on the cash consideration of RMB10 and the valuation of the Target as set out in Section 3 of this announcement.

The *pro forma* financial effects are largely based on the valuation of the Target 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 Sub-sections may differ significantly from the audited financial statements for the current financial year ending 31 December 2022.

7.2. Effects on NTA per Share

		Immediately before the completion of the Proposed Acquisition	Immediately after the completion of the Proposed Acquisition
NTA (RMB'000)	:	552,922	578,649
Number of Shares	:	203,461,883	203,461,883
NTA per Share (RMB cents)	:	271.76	284.4

7.3. Effects on LPS

	Immediately before the completion of the Proposed Acquisition	Immediately after the completion of the Proposed Acquisition
Loss attributable to Shareholders (RMB'000)	(23,568)	(13,662)
Number of Shares	203,461,883	203,461,883
LPS (RMB cents)	(11.58)	(6.71)

8. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition 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 3M2022 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 assets acquired, compared with the Group's net losses.	51.65%(2)

(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	68.76%[(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[(4)]

Notes:

(1) Not applicable as the Proposed Acquisition is in relation to an acquisition of assets.

(2) "Net loss" means loss before income tax and non-controlling interests. Based on the latest unaudited consolidated financial statements of the Group for 3M2022, the net losses attributable to the Sale Equity is RMB3.75 million and the net losses of the Group is RMB7.26 million.

(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 Agreement. Accordingly, the market capitalisation of the Company is based on 203,461,883 Shares in issue and the volume weighted average price of S$0.245 for each Share transacted on 12 April 2022, being the last market day preceding the date of the Agreement that the Shares were traded, and as such the market capitalisation for the purposes of the Proposed Acquisition is S$49.8 million. The Consideration, which consists of (a) a nominal amount of RMB10 and (b) the Assumption of the Vendor's Corporate Guarantee in relation to 49% of the Existing Bank Loan quantum, being RMB670 million, amounts to a total of RMB160.87 million, approximately S$34.28 million based on the exchange rate of 4.6932 Chinese Yuan to one Singapore Dollar (being the exchange rate of Chinese Yuan to Singapore Dollar on 31 March 2022). There will be no issuance of shares as consideration for the Proposed Acquisition.

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

As the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 75%, the Proposed Acquisition constitutes a "discloseable transaction" as defined in Chapter 10 of the Catalist Rules. As such, no approval from the Shareholders will be required for the Proposed Acquisition.

9. 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 of the Company, as the case may be), substantial Shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Acquisition.

10. 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.

11. 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), and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the 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 in its proper form and context.

12. DOCUMENTS FOR INSPECTION

A copy of the Agreement is 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 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 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 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

21 June 2022

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*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.*