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HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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

THE PROPOSED ACQUISITION OF THE 35% SHAREHOLDING IN HENGYANG HOLDING PTE. LTD. (A PRINCIPAL SUBSIDIARY OF THE COMPANY)

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1. INTRODUCTION

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 the Company had on 17 September 2020, entered into a conditional sale and purchase agreement ("**SPA**") with MEGCIF Investments 5 Limited (the "**Seller**") for the acquisition of 70 ordinary shares (the "**Sale Shares**") representing 35% of the total issued and paid-up share capital of Hengyang Holding Pte. Ltd. ("**HHPL**") for an aggregate consideration of RMB36,000,000 (the "**Consideration**") (collectively, the "**Proposed Acquisition**").

2. INFORMATION ON HHPL AND THE SELLER

2.1. Information on HHPL

HHPL is incorporated in Singapore with its registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. As at the date of this announcement, the total issued and paid-up share capital of HHPL is S$112,321,474.93, comprising 200 ordinary shares (the "**Shares**"). The Company owns 130 Shares representing 65% of the total issued and paid-up share capital of HHPL.

HHPL is a principal subsidiary of the Company and it serves as an intermediary investment holding company of the Group. All the investments of the Company are held through HHPL. HHPL and its subsidiaries (the "**HHPL Group**") are principally involved in the business of building, owning and operating petrochemical terminals, including petrochemical port facilities and petrochemical oil product storage tanks and providing warehousing and logistics services for third parties and land transportation. For ease of reference, please refer to **Appendix A** of this announcement, which sets out the corporate structure of the Group as at the date of this announcement.

Based on the unaudited financial information of HHPL for the financial period ended 30 June 2020 ("**1H2020**"), HHPL Group recorded the net losses of RMB16,500,000 and as at 30 June 2020, the HHPL Group's (i) net tangible assets ("**NTA**") amounted to RMB572,440,000, (ii) total assets amounted to RMB583,860,000 and (iii) total liabilities amounted to RMB11,420,000. A summary of the unaudited financial statements of the HHPL Group for 1H2020 is set out at **Appendix B** of this announcement for reference.

Based on the unaudited accounts of the HHPL Group as at 30 June 2020, the NTA value of the Sale Shares is RMB200,354,000.

2.2. Information on the Seller

The Seller is a Cayman Islands company owned by Macquarie Greater China Infrastructure Fund L.P. ("**MGCIF**"). MGCIF is an international US dollar-denominated fund sponsored and managed by Macquarie Group Limited.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1. Overview of the Proposed Acquisition

Subject to the terms and conditions of the SPA, the Seller shall sell the Sale Shares to the Company free from all encumbrances and together with all rights, title and interest attaching thereto.

Upon the completion of the Proposed Acquisition, HHPL will become an immediate wholly-owned subsidiary of the Company. Please refer to **Appendix C** of this announcement for the corporate structure of the Group immediately upon the completion of the Proposed Acquisition.

3.2. Consideration

The Consideration for the Sale Shares (i.e. the sum of RMB36,000,000) (i) shall be satisfied fully in cash, and (ii) shall be payable by the Company to the Seller upon completion of the transactions contemplated under the SPA.

The Consideration was arrived at on a willing-buyer and willing-seller basis after the conduct of negotiations on an arm's length basis, taking into account, among other things, the following factors:

(a) the current market conditions;

(b) the NTA value of the Sale Shares as at 30 June 2020 as set out in section 2.1 of this announcement;

(c) the prospects of the existing business of HHPL and its subsidiaries; and

(d) the rationale and benefits to the Company for the Proposed Acquisition as set out in Section 7 of this announcement.

3.3. Conditions Precedent

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

(a) the Company having obtained the relevant consent, confirmation or approval from CIMB Bank Berhad, the sponsor of the Company (the "**Sponsor**") appointed in accordance with the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") (by way of email correspondence or otherwise) for the announcement in respect of the purchase of the Sale Shares under the SPA to be released by the Company on SGXNet in accordance with Chapter 10 of the Catalist Rules within three (3) Business Days after the date of the SPA; and

(b) either:

  (i) by the date that is thirteen (13) Business Days after the date of the SPA the Company has not received any notice or direction from SGX-ST relating to the purchase of the Sale Shares under the SPA; or

  (ii) by the date that is fifteen (15) Business Days after the date of the SPA if the Company has received any queries from the SGX-ST relating to the purchase

of the Sale Shares under the SPA, the Company has addressed and submitted its responses to such queries to the SGX-ST (via the Sponsor) and thereafter the SGX-ST has not, in writing, given the Company any notice, order, or directive restraining or prohibiting the Company from entering into or consummating the transactions contemplated under the SPA.

3.4. Completion

The completion of the Proposed Acquisition ("**Completion**") shall take place within five (5) Business Days after the satisfaction of the conditions precedent of the SPA, or such other date as agreed by the Company and the Seller in writing.

The long-stop date for the satisfaction or waiver of the conditions precedent is forty-five (45) calendar days after the date of the SPA (or such later date as the Seller and the Company may agree in writing).

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

4.1. Assumptions

The *pro forma* financial effects of the Proposed Acquisition as set out below are for illustrative purposes only and do not reflect the 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 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 2019;

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

(iii) The Proposed Acquisition had been completed on 1 January 2019 for the purposes of computing the *pro forma* financial effects on the losses per share ("**LPS**") of the Group.

4.2. Effects on NTA per Share

		Immediately before the completion of the Proposed Acquisition	Immediately after the completion of the Proposed Acquisition
NTA (RMB'000)	:	408,908	615,225
Number of Shares	:	203,461,883	203,461,883
NTA per Share (RMB cents)	:	201.0	302.4

4.3. 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)	24,652	36,295
Number of Shares	203,461,883	203,461,883
LPS (RMB cents)	12.12	17.84

5. 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 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 profits/losses attributable to the assets acquired, compared with the Group's net profits/losses.	34.3%(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.	21.3%(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) Not applicable as the Proposed Acquisition is in relation to an acquisition of assets.

(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 latest announced consolidated accounts of the Company for the half-year ended 30 June 2020, the net losses attributable to the Sale Shares is RMB5,963,000, and the net losses of the Group is RMB17,362,000.

(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$0.1665 of the Shares transacted on 11 September 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 Acquisition is S$33,876,404. The consideration of RMB36,000,000 is approximately S$7,230,000 based on the exchange rate of 4.9791 Chinese Yuan to one Singapore Dollar.

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

(5) Not applicable as the Company is not a mineral, oil and 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.

However, as the relative figure computed based on Rule 1006(b) involves a negative figure, Rule 1007 provides that Chapter 10 of the Catalist Rules may still be applicable to the Proposed Acquisition in accordance with the applicable circumstances of Practice Note 10A of the Catalist Rules ("**Practice Note 10A**").

According to Paragraph 4.6 of Practice Note 10A, if a transaction does not fall within all the situations in paragraphs 4.3 and 4.4 of Practice Note 10A, Rule 1014 of the Catalist Rules (on "major transactions") shall apply to the transaction.

Although the Proposed Acquisition does not fall within any of the situations in paragraphs 4.3 and 4.4 of Practice Note 10A, the Company considers the Proposed Acquisition to be an acquisition that is entered into in the ordinary course of business of the Company and is therefore not subjected to Chapter 10 of the Catalist Rules (in particular, Rule 1014 of the Catalist Rules). Please refer to Section 6 of this announcement below for further details.

6. NATURE OF PROPOSED ACQUISITION

According to paragraph 2.2 of Practice Note 10A, an acquisition that is regarded to be, or in connection with, the ordinary course of an issuer's business, is not subject to the requirements under Chapter 10 of the Catalist Rules. According to paragraph 2.3 of Practice Note 10A, an acquisition can be regarded to be, or in connection with, the ordinary course of an issuer's business, if (a) the asset acquired is part of the issuer's existing principal business; and (b) the acquisition does not change the issuer's risk profile.

In respect of the aforesaid limb (a), the Company is of the view that the asset acquired is part of the Company's existing business. As at the date of this announcement, HHPL is already a subsidiary of the Company (the Company currently owns 65% of the total issued and paid-up capital of HHPL) and is also the sole immediate investment holding subsidiary of the Company. The Company does not have any other direct subsidiaries.

In respect of the aforesaid limb (b), the Company is also of the view that the Proposed Acquisition will not materially change its risk profile. As mentioned above, prior to the Proposed Acquisition, HHPL is already the sole immediate investment holding subsidiary of the Company, and the Company does not have any other direct subsidiaries. This means all the other investments by the Company are held through HHPL. There will also not be any change or effect on the existing operations of the Group (i.e. the Company, HHPL and its subsidiaries) following the completion of the Proposed Acquisition.

Accordingly, the Company is of the view that the requirements under paragraph 2.3 of Practice Note 10A are met, and therefore considers that the Proposed Acquisition is an acquisition that is in the ordinary course of its business that is not subject to Chapter 10 of the Catalist Rules (in particular, Rule 1014 of the Catalist Rules).

In addition, the Proposed Acquisition is merely an exercise by the Company to consolidate control over its principal and sole immediate subsidiary (i.e. HHPL) which will enable the Company to consolidate in full the future financial results and performance of HHPL. Considering the NTA value of the Sale Shares of RMB200,354,000 against the Consideration of RMB36,000,000, the Proposed Acquisition will increase the NTA attributable to Shareholders

and enhance shareholders' value.

In any event, Mr. Gu Wen Long (the executive chairman, the chief executive officer and the ultimate controller of the Company), together with his personal investment vehicle, Foreversun Holdings Co., Ltd., collectively holds 114,100,000 ordinary shares in the Company, representing approximately 56.08% of the entire issued and paid-up share capital of the Company, are in support of the Proposed Acquisition and have each provided an irrevocable undertaking to the Company to vote in favour of the Proposed Acquisition in the event that Rule 1014 of the Catalist Rules is applicable to the Proposed Acquisition and an extraordinary general meeting ("**EGM**") in connection with the Proposed Acquisition is required to be convened to seek shareholders' approval. Accordingly, a resolution in respect of the Proposed Acquisition would be duly passed if the EGM is actually required to be convened.

7. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will result in HHPL becoming the Company's wholly-owned subsidiary. It will allow the Company to gain full control of HHPL as its sole shareholder and will also allow the Company to consolidate a higher percentage of HHPL's financial results and performance in the future instead of the current 65%. This will improve the Company's profitability and enhance shareholders' value in the long term. Based on the aforesaid factors and the prospects of the existing business of the HHPL Group, the Board is of the view that the Proposed Acquisition is in the best interests of the Company and its shareholders.

8. SOURCE OF FUNDS

The Company intends to finance the Proposed Acquisition through internal resources.

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), 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 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 Acquisition, 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

A copy of the SPA 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 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 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

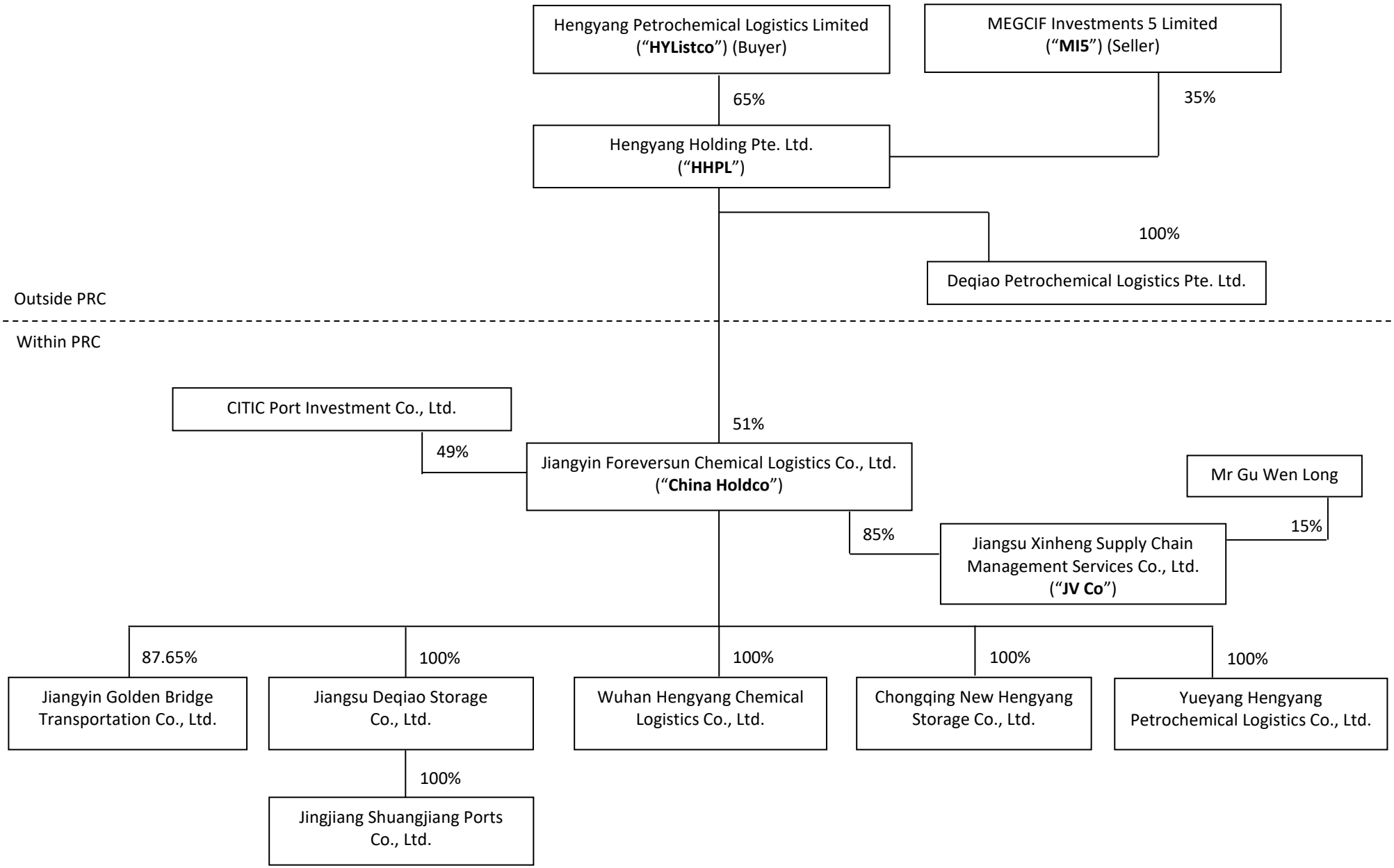
GU WEN LONG
Chairman and Chief Executive Officer

22 September 2020

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 – Summary of key financial information of the HHPL Group

B1: Consolidated statement of comprehensive income for the financial period ended 30 June 2020 ("1H2020") of HHPL Group

	HHPL Group
	1H2020
	(Unaudited)
	RMB'000
Other income	4'722
Administrative and other expenses	(937)
Share of result of joint venture	(20,824)
Loss before tax	**(17,039)**
Income tax expense	-
Net loss for the financial year, representing total comprehensive loss attributable to owners of the parent	**(17,039)**

B2: Consolidated statement of financial position as at 30 June 2020 ("1H2020") of HHPL Group

	HHPL Group
	30.06.2020
	(Unaudited)
	RMB'000
Non-current assets	
Investment in joint venture	515,651
Right of use assets	23
	515,674
Current assets	
Other receivables	15
Interest income receivable	53
Amount owing by immediate holding company	30,488
Amount owing by related parties	186
Cash and cash equivalents	37,441
	68,183
Less:	
Current liabilities	
Other payables	429
Amount owing to the holding company	10,965
Lease Liability	23
	11,417
Net current assets	56,766
Net assets	572,440
Equity	
Share capital	536,767
Other reserve	3,009
Retained earnings	32,664
Total equity	572,440

Appendix C – The Group Structure Immediately upon Completion of the Proposed Acquisition

