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HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00554)

DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN SHANGHAI DIYOU

THE ACQUISITION

The Board is pleased to announce that on 5 November 2019, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell, the Sale Equity (representing all equity interest held by the Vendor in Shanghai Diyou) for a consideration of RMB10,265,334.97 (equivalent to approximately HK\$11,394,500).

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios in relation to the transaction contemplated under the Agreement are more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but exempt from the requirement of shareholders' approval.

INTRODUCTION

The Board is pleased to announce that on 5 November 2019, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase, and the Vendor have agreed to sell, the Sale Equity for a consideration of RMB10,265,334.97 (equivalent to approximately HK\$11,394,500).

THE AGREEMENT

A summary of the salient terms of the Agreement is set out below:

- Date:** 5 November 2019
- Parties:** (a) the Purchaser; and
(b) the Vendor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Assets acquired

The Purchaser has agreed to purchase, and the Vendor has agreed to sell, the Sale Equity (representing all equity interest held by the Vendor in Shanghai Diyou).

Upon completion of the Acquisition, the Sale Equity will be held by the Purchaser, an indirect wholly-owned subsidiary of the Company. Accordingly, Shanghai Diyou will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

Consideration

The total consideration for the Acquisition is RMB10,265,334.97 (equivalent to approximately HK\$11,394,500) (the "**Consideration**"). The Consideration will be paid by the Purchaser to the Vendor in cash in the following manner:

- (a) within 3 Business Days from the date of the Agreement, the Purchaser shall pay the amount of RMB1,093,575 (equivalent to approximately HK\$1,213,900), representing 10% of the Consideration, to the Vendor (the "**First Installment**");
- (b) within 10 Business Days from the effective date of change of the relevant industrial and commercial registration (工商變更登記), the Purchaser shall pay the amount of RMB6,159,201 (equivalent to approximately HK\$6,836,700), representing 60% of the Consideration, to the Vendor; and

- (c) within ten Business Days of the first anniversary of the Completion Date, the Purchaser shall pay the amount of RMB3,012,558.97 (equivalent to approximately HK\$3,343,900), representing the remaining 30% of the Consideration, to the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the acquisition costs of the Vendor of its 99% equity interest in Shanghai Diyou.

Completion

The Vendor and the Purchaser shall perform the relevant industrial and commercial registration within five Business Days (or such later date to be designated by the Purchaser but in any event no later than 10 Business Days) from the payment date of the First Installment. Completion of the Agreement shall take place on the effective date of change of the relevant industrial and commercial registration (the “**Completion Date**”).

INFORMATION ON SHANGHAI DIYOU

Shanghai Diyou is principally engaged in the wholesale of refined oil products and holds a refined oil wholesale operating licence (成品油批發經營批准證書) issued by the Ministry of Commerce of the PRC.

Set out below is the audited financial information of Shanghai Diyou for the two years ended 31 December 2017 and 2018 prepared in accordance with the PRC GAAP:

	For the year ended 31 December 2017 (audited) <i>RMB</i>	For the year ended 31 December 2018 (audited) <i>RMB</i>
Net loss before taxation	(207,067)	(8,057)
Net loss after taxation	(207,067)	(8,057)

Based on the management accounts of Shanghai Diyou, the net asset value of Shanghai Diyou as at 30 June 2019 was RMB1,937,716 (unaudited).

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in the provision of terminal and storage facilities and services for oil and liquid petrochemical products in south China. The Group operates integrated facilities of jetties, storage tanks, warehousing and logistic services in south China and offers value-added services in its ports and storage tank farms.

The Purchaser, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC whose principal business is investment holding.

INFORMATION ON THE VENDOR

The Company understands that the Vendor is principally engaged in the wholesale of refined oil products.

REASONS FOR AND BENEFITS OF THE AGREEMENT

It is the Group's strategy to extend its principal business from the provision of terminal and storage facilities and services for liquid petrochemical products (being the midstream business segment of the oil and gas industry) to the downstream segment of the value chain, in particular the refined oil retail business. As disclosed in the Company's annual report for the year ended 31 December 2018, the Company has partnered with a PRC state-owned enterprise to develop its petrol station business; having recently secured the relevant permits, the first petrol station in Zengcheng, Guangzhou will commence operation by end of 2019. The Company plans to rapidly develop the gasoline and diesel retail and wholesale business into a new business segment of the Group.

To complement the Company's venture into the refined oil retail business, the Company decided to acquire Shanghai Diyou, being a company which holds a refined oil wholesale operating licence issued by the Ministry of Commerce of the PRC, so that the Group can, through utilising and leveraging on the existing licence and business setup of Shanghai Diyou, expedite the development of its own business so as to connect and integrate the supply chain between the storage business and the retail business as soon as possible. This will not only help source and supply refined oil products for the Group's self-operated petrol stations, but also allow the Group to develop refined oil products trading with oil refineries and provide refined oil products wholesale and distribution services for other petrol stations in the PRC. Thus, the Acquisition will be a strategic addition to and can create a synergistic effect with the Group's petrol station business and logistics facilities. The Directors are of the view that the Acquisition and Shanghai Diyou becoming a subsidiary of the Company are therefore expected to expand the Group's business and strengthen the position of the Group in the oil and gas industry in the PRC.

In light of the above, the Directors believe that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and entered into on normal commercial terms after arm's length negotiations between the relevant parties and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios in relation to the transaction contemplated under the Agreement are more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but exempt from the requirement of shareholders' approval.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Equity by the Purchaser from the Vendor, pursuant to the terms of the Agreement;
“Agreement”	the equity transfer agreement dated 5 November 2019 entered into between the Purchaser and the Vendor in respect of the sale and purchase of the Sale Equity;
“Board”	the board of Directors;
“Business Day(s)”	the business day(s) other than the statutory holidays and public holidays in the PRC;
“Consideration”	the meaning ascribed to it under the section headed “Consideration” in this announcement;
“Company”	Hans Energy Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion Date”	the meaning ascribed to it under the section headed “Completion” in this announcement;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;

“First Installment”	the meaning ascribed to it under the section headed “Consideration” in this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	party(ies) which are not connected person(s) of the Company and are independent of the Company and its connected person(s);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratio”	the meaning ascribed to it in the Listing Rules;
“PRC” or “China”	the People’s Republic of China;
“PRC GAAP”	the generally accepted accounting principles of the PRC;
“Purchaser”	廣州漢思能源投資有限公司 (Guangzhou Hans Energy Investment Ltd.), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity”	99% equity interest in Shanghai Diyou agreed to be sold by the Vendor and agreed to be purchased by the Purchaser pursuant to the terms of the Agreement. The remaining 1% equity interest in Shanghai Diyou is held by an Independent Third Party as at the date of this announcement;
“Shanghai Diyou”	上海迪友實業有限公司 (Shanghai Diyou Industry Co., Ltd.), a limited liability company established in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	the meaning ascribed to it in the Listing Rules;
“Vendor”	廣州市達贏石油化工有限公司 (Guangzhou Daying Petrochemical Co., Ltd*), a limited liability company established in the PRC; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.11 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

** For identification purpose only*

By Order of the Board
Hans Energy Company Limited
漢思能源有限公司
Yang Dong
Chief Executive Officer and Executive Director

Hong Kong, 5 November 2019

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. David An (Chairman), Mr. Yang Dong, Ms. Liu Zhijun and Mr. Zhang Lei, and three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Chan Chun Wai, Tony and Mr. Woo King Hang.