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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN SHANGHAI DIYOU

Reference is made to the announcement (the “Announcement”) of Hans Energy Company Limited (the “Company”) dated 5 November 2019 in relation to a discloseable transaction regarding the acquisition of equity interest in Shanghai Diyou by the Group. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company wishes to provide the shareholders and the potential investors of the Company the following supplemental information in relation to the Acquisition.

INFORMATION ON SHANGHAI DIYOU AND THE VENDOR

As disclosed in the Announcement, 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 (the “MOC”) of the PRC (“Licence(s”).

Prior to the Acquisition, the Group had identified and reached out to a number of holders (or their owners) of such Licences. Save for the Vendor, such other holders/owners had no intention to sell their respective interests. Based on the Group’s knowledge and understanding of the refined oil wholesale industry, some Licences are held by the PRC oil majors/state-owned enterprises. Thus, the number of such holders of Licence available is limited.

The Group came to know Shanghai Diyou as a Licence owner through its being a customer of Guangdong (Panyu) Petrochemical Storage & Transportation Ltd. (粵海(番禺)石油化工儲運開發有限公司) (“GD Panyu”), a former indirect non-wholly owned subsidiary of the Company. (As disclosed in the announcement of the Company dated 28 May 2019, the Company ceased to have any interest in GD Panyu on 28 May 2019 upon completion of the very substantial disposal of GD Panyu.) The Group understood from Shanghai Diyou that the ultimate beneficial owner of the Vendor was Mr. Zhu Guiyuan (朱桂元) (“Mr. Zhu”), an Independent Third Party. The Group then reached out to Mr. Zhu for discussions and negotiations in respect of the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Announcement and the Company’s annual report for the year ended 31 December 2018, 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 (the “Storage Business”) (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. Having recently secured the relevant permits, the Group’s first filling station in Zengcheng, Guangzhou will commence operation by end of 2019. It is also the Group’s plan to further expand its network of filling stations in the coming future (the “Retail Business”).

Pursuant to the applicable laws and regulations in the PRC, without a Licence, the Group would need to engage the services of a third party Licence holder (a “third-party provider”) to supply the Group’s Retail Business. In other words, the Acquisition will enable the Group to connect its Storage Business and Retail Business directly by using Licence of Shanghai Diyou, expedite the development of its own business without reliance on any third-party provider in the future, achieve considerable savings in operating costs in the development and expansion of its Retail Business as well as tapping into the wholesale market.

The Board estimates that, by using the Licence held by Shanghai Diyou in place of that of a third-party provider, the Group may achieve savings of approximately over RMB3,000,000 per annum, on a per filling station basis. As the Group plans to open more filling stations in the future, it is expected that the Acquisition will benefit the Group in the long run.

BASIS FOR DETERMINATION OF CONSIDERATION

As disclosed in the Announcement, the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser. In addition, having taken the following factors into consideration, the Directors were (and remain) of the view that the Consideration was fair and reasonable in the context of the Group's business as a whole:

- (a) Licences are not transferable under the applicable PRC laws and regulations, and, as mentioned above, the number of companies holding the Licences and/or available for sale was limited;
- (b) during the negotiations between the Group and the Vendor, the Vendor indicated that it would not sell the Sale Equity at a consideration lower than its acquisition costs;
- (c) the MOC generally receives applications for Licence once a year, and the next round of the said process will be August 2020. A fresh application for a new Licence would take time and, in any event, is not possible at this time due to the said August 2020 application window, and will be subject to the PRC government policies at the time of the relevant application process. Accordingly, the outcome and timing for the entire application exercise are uncertain; and
- (d) having a Licence within the Group will create synergy in terms of the Group's Retail Business (which will commence by the end of 2019) and future plan, enhance the Group's operational efficiency and achieve cost saving as mentioned above.

Save as disclosed above, all the information set out in the Announcement remains unchanged. This announcement is supplemental to and should be read in conjunction with the Announcement.

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, 27 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.