

RH PETROGAS LIMITED
(Company Registration Number: 198701138Z)

ANNOUNCEMENT

PROPOSED CAPITALISATION OF SHAREHOLDER'S LOANS AMOUNTING TO S\$15,480,000 OWING BY THE COMPANY TO SURREYVILLE PTE LTD INTO 90,000,000 NEW ORDINARY SHARES OF THE COMPANY (THE "CAPITALISATION SHARES") AT AN ISSUE PRICE OF S\$0.172 PER CAPITALISATION SHARE (THE "PROPOSED CAPITALISATION")

1. INTRODUCTION

The Board of Directors ("**Board**") of RH Petrogas Limited (the "**Company**" and together with its subsidiaries from time to time, the "**Group**") wishes to announce that the Company proposes to capitalise a significant portion of the shareholder's loans owing by the Company to Surreyville Pte Ltd ("**Surreyville**") and has on 6 October 2021 entered into a conditional capitalisation deed ("**Conditional Capitalisation Deed**") with Surreyville, pursuant to which the Company has agreed, subject to and upon the terms and conditions set out in the Conditional Capitalisation Deed, to allot and issue 90,000,000 Capitalisation Shares to Surreyville in full repayment and discharge of the sum of S\$15,480,000, being a significant portion of the interest free shareholder's loans owing by the Company to Surreyville, at the issue price of S\$0.172 per Capitalisation Share (the "**Capitalisation Price**").

Surreyville is an entity in the Tiong Family Group (as defined in paragraph 2.1 below), and the Proposed Capitalisation is in line with the Company's intentions to capitalise shareholders' loans extended by various entities owned and controlled by the Tiong Family Group to the Group into equity.

The Capitalisation Price represents (i) a premium of approximately 0.53% to the price of S\$0.1711, being the volume weighted average price of the ordinary shares of the Company (the "**Shares**") for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 5 October 2021 (being the trading day before the date on which the Conditional Capitalisation Deed was entered into), and (ii) a premium of approximately 12.42% to the price of S\$0.1530, being the volume weighted average price of the Shares for trades done on the SGX-ST over a period of one month up to and including 5 October 2021.

2. THE PROPOSED CAPITALISATION

2.1 Overview

Tan Sri Datuk Sir Tiong Hiew King ("**Tiong Hiew King**") and Dato' Sri Dr Tiong Ik King ("**Tiong Ik King**") are controlling shareholders of the Company and together with their family members, hold an aggregate 63.92% shareholding interest (direct and deemed) in the Company. Surreyville, an entity in the Tiong Family Group, holds approximately 28.63% direct shareholding interests in the Company (which, for the avoidance of doubt, is included in the

aforementioned aggregate 63.92% shareholding interest), and is accordingly also a controlling shareholder of the Company.

Non-interest bearing loans have been extended by various entities owned and controlled by Tiong Hiew King, Tiong Ik King and their concert parties (collectively, the “**Tiong Family Group**”) to the Company.

As at the date of this announcement, the total outstanding amount of shareholder’s loans owing by the Company to Surreyville (collectively, the “**Surreyville Shareholder’s Loans**”) is S\$17,696,314.93, comprising:

- (i) S\$14,114,426.43 pursuant to a shareholder’s loan agreement dated 12 August 2021 (the “**SGD Denominated Loan**”); and
- (ii) RMB17,000,001.03 pursuant to a novation agreement dated 17 June 2021 made among the Company, RH Petrogas Investments Pte. Ltd. (“**RHPI**”) and Surreyville in relation to the novation and transfer of all of RHPI’s rights, benefits, interests, obligations and liabilities in connection with or arising out of an outstanding interest free loan amount of RMB17,000,001.03 to the Company (the “**RMB Denominated Loan**”) (equivalent to S\$3,581,888.50 based on an exchange rate of S\$1.00 : RMB4.7461 with reference to the exchange rate on 5 October 2021 obtained from the Monetary Authority of Singapore website (the “**Exchange Rate**”)).

Pursuant to the Conditional Capitalisation Deed, the Company has agreed, subject to and upon the terms and conditions set out in the Conditional Capitalisation Deed, to capitalise a significant portion of the Surreyville Shareholder’s Loans amounting to S\$15,480,000 into new Shares in the capital of the Company (collectively, the “**Surreyville Capitalisation Amount**”) comprising:

- (i) S\$11,898,111.50 out of the S\$14,114,426.43 outstanding under the SGD Denominated Loan; and
- (ii) the entire RMB17,000,001.03 outstanding under the RMB Denominated Loan (equivalent to S\$3,581,888.50 based on the Exchange Rate).

The Proposed Capitalisation is intended to be effected via the allotment and issuance by the Company of 90,000,000 Capitalisation Shares at the Capitalisation Price to Surreyville in full repayment and discharge of the Surreyville Capitalisation Amount.

The Capitalisation Shares will constitute approximately 10.83% of the total enlarged issued share capital of the Company following the completion of the Proposed Capitalisation. The Proposed Capitalisation will result in Surreyville holding approximately 36.36% of the total enlarged issued share capital of the Company following the Proposed Capitalisation, and result in an increase in the Tiong Family Group’s shareholding interests (direct and deemed) to approximately 67.82% of the total enlarged issued share capital of the Company following the Proposed Capitalisation.

The Capitalisation Shares shall on issue rank *pari passu* in all respects with the then existing Shares as at the date of their issue.

2.2 Rationale for the Proposed Capitalisation

The Proposed Capitalisation facilitates the repayment of S\$15,480,000 of the Surreyville Shareholder's Loans through the conversion of debt to equity.

This will reduce the debt burden of the Group without adversely affecting its operating cash flow. Further, this will strengthen the Group's financial position and capital base, thus enhancing its flexibility to raise debt and to capitalise on potential growth opportunities.

Based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021, assuming that the Capitalisation Shares are issued at the Capitalisation Price, the net asset value per Share will improve from negative 1.24 US cents to positive 0.24 US cents.

With the strengthening of its balance sheet, the Group will be in a better position to negotiate more favourable financing terms from financial institutions in respect of any funding requirements which may arise going forward.

2.3 Conditions Precedent

Completion of the Proposed Capitalisation is conditional upon, *inter alia*, the fulfilment of the following conditions precedent:

- (i) **Securities Industry Council ("SIC") approval:** waiver of the obligation which could, by reason of the Proposed Capitalisation, otherwise fall on any member of the Tiong Family Group to make a mandatory offer for all the outstanding Shares not owned, controlled or agreed to be acquired by them ("**Offer**"), pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**") (the "**Whitewash Waiver**") being granted by the SIC, and not having been withdrawn or revoked as at the date of completion of the Proposed Capitalisation;
- (ii) **Shareholders' approval for the Proposed Capitalisation:** approval by the shareholders of the Company ("**Shareholders**") having been obtained for the Proposed Capitalisation;
- (iii) **Shareholders' approval for the Whitewash Waiver:** approval by the Shareholders independent of the Tiong Family Group having been obtained in a general meeting to waive their rights to receive an Offer pursuant to Rule 14 of the Code, as a result of the allotment and issuance of the Capitalisation Shares to Surreyville (the "**Whitewash Resolution**"); and
- (iv) **SGX-ST approval:** in-principle approval for the listing and quotation of the Capitalisation Shares on the Main Board of the SGX-ST having been obtained from the SGX-ST.

2.4 Shareholders' Approval under Chapters 8 and 9 of the Listing Manual

2.4.1 Placement to Restricted Persons

Rule 812 of the listing manual of the SGX-ST (the "**Listing Manual**") provides that an issue must not be placed to, *inter alia*, the issuer's directors, substantial shareholders, the immediate family members of the directors and substantial shareholders and corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10% unless specific shareholders' approval is obtained for such placement and the person to whom the issue is placed and his associates abstain from voting on the resolution approving the placement.

As discussed above, Surreyville is a controlling shareholder of the Company. Accordingly, under Rule 812 of the Listing Manual, specific shareholders' approval is required for the Proposed Capitalisation.

2.4.2 Interested Person Transaction

As announced on 7 October 2016 (SGXNET Announcement No. SG161007OTHR39JX), the SGX-ST has granted approval to the Company to use the Company's market capitalisation as at the previous financial year end instead of the Group's consolidated net tangible assets ("**NTA**") as the basis for computing the materiality thresholds in respect of Rules 905 and 906 of the Listing Manual, for so long as the Group's NTA or net asset value ("**NAV**") remains negative. The Group's NTA and NAV have been and are currently negative.

The Company's market capitalisation as at 31 December 2020 was approximately S\$18,357,000 (the "**31 December 2020 Market Capitalisation**"). The amount of the Proposed Capitalisation of S\$15,480,000 represents approximately 84.3% of the 31 December 2020 Market Capitalisation. As the Proposed Capitalisation constitutes an interested person transaction under Chapter 9 of the Listing Manual and will exceed 5% of the 31 December 2020 Market Capitalisation, it is subject to the approval of independent Shareholders in accordance with Rule 906 of the Listing Manual.

The Audit Committee of the Company will be obtaining an opinion from an independent financial adviser in relation to the Proposed Capitalisation, and will consider the opinion of the independent financial adviser before forming its view on whether the Proposed Capitalisation is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. The opinion of the independent financial adviser will be set out in the circular to be despatched to Shareholders (the "**Circular**") in due course, and the view of the Audit Committee will also be made known in the Circular.

Save for the Proposed Capitalisation and approximately US\$26,000 in aggregate principal amount of interest-free shareholder loans provided by RHPI (a wholly-owned subsidiary of the Company) to RHP (Mukah) Pte. Ltd. ("**RHP (Mukah)**") (a joint venture subsidiary of the Company in which the Company holds a 51% equity interest through RHPI and the remaining 49% equity interest is held by Tumbuh Tiasa Enterprises Sdn. Bhd., an associate of Tiong Hiew King and Tiong Ik King) to fund the operating expenditure of RHP (Mukah) in proportion

to its equity interest in RHP (Mukah), no other interested person transactions (excluding transactions which are less than S\$100,000) were entered into by the Company with any member of the Tiong Family Group or any other interested person for the period commencing from the beginning of the current financial year, being 1 January 2021, and ending on the date of this announcement.

2.4.3 Shareholder's Approval

For the reasons set out in paragraphs 2.4.1 and 2.4.2 above, the Company will be seeking the approval of Shareholders for the Proposed Capitalisation at an extraordinary general meeting to be convened ("**EGM**"). Each of Tiong Hiew King and Tiong Ik King will abstain, and will undertake to ensure that their associates will abstain, from voting on the resolution relating to the Proposed Capitalisation at the EGM.

2.5 **Waiver of Mandatory Offer Obligation arising from Proposed Capitalisation**

The Company also intends to obtain the approval of Shareholders (other than the Tiong Family Group and other Shareholders not independent of them) for the Whitewash Resolution at the EGM.

While the Proposed Capitalisation will result in the Tiong Family Group's shareholding interests (direct and deemed) increasing from approximately 63.92% as at the date of this announcement to approximately 67.82% of the total enlarged issued share capital of the Company following the Proposed Capitalisation, the Proposed Capitalisation will result in certain members of the Tiong Family Group individually acquiring Shares carrying 30% or more of the voting rights of the Company, such as Woodsville International Limited (the holding company of Surreyville), Surreyville and Tiong Ik King. Accordingly, any member of the Tiong Family Group could, by reason of the Proposed Capitalisation, be required to make an Offer pursuant to Rule 14 of the Code unless such obligation is waived by the SIC.

Accordingly, an application has been made to the SIC for, *inter alia*, a waiver of the obligation which could, by reason of the Proposed Capitalisation, otherwise fall on any member of the Tiong Family Group to make an Offer pursuant to Rule 14 of the Code.

An independent financial adviser will be appointed to advise the Shareholders independent of the Tiong Family Group on the Whitewash Resolution. Further details of the Whitewash Waiver and the opinion of the independent financial adviser will be set out in the Circular.

3. **FINANCIAL EFFECTS OF PROPOSED CAPITALISATION**

For illustrative purposes only and based on (i) the audited consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 ("**FY2020**"), and (ii) the unaudited consolidated financial statements of the Company as at and for the six months period ended 30 June 2021 ("**6M2021**"), the financial effects of the Proposed Capitalisation on the Group are set out below.

The analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Group after completion of the Proposed Capitalisation.

3.1 Share Capital

The effects of the Proposed Capitalisation on the share capital of the Company as at 31 December 2020 and 30 June 2021 respectively, are as follows:

	No. of Shares as at 31 December 2020	Share Capital (US\$'000) as at 31 December 2020	No. of Shares as at 30 June 2021	Share Capital (US\$'000) as at 30 June 2021
Existing issued and paid-up share capital ⁽¹⁾	734,277,400	258,160	740,107,400	258,666
Issue of Capitalisation Shares pursuant to the Proposed Capitalisation	90,000,000	11,175	90,000,000	11,175
Enlarged issued and paid-up share capital after the Proposed Capitalisation	824,277,400	269,335	830,107,400	269,841

Notes:

- (1) Based on (i) the issued share capital of 734,277,400 Shares as at 31 December 2020, and (ii) the issued share capital of 740,107,400 Shares as at 30 June 2021, respectively.
- (2) The above is computed based on the exchange rate of US\$1.00 : S\$1.3584 with reference to the exchange rate on 5 October 2021 obtained from the Monetary Authority of Singapore website.

3.2 NAV per Share

For illustrative purposes only, the financial effects of the Proposed Capitalisation on the NAV of the Group, assuming that the Proposed Capitalisation has been completed on 31 December 2020 and 30 June 2021 respectively are as follows:

	NAV per Share (US cents) as at 31 December 2020	NAV per Share (US cents) as at 30 June 2021
Before adjusting for the Proposed Capitalisation ⁽¹⁾	(2.24)	(1.24)
After adjusting for the Proposed Capitalisation ⁽²⁾	(0.64)	0.24

Notes:

- (1) Computed based on (i) NAV as at 31 December 2020 and the issued share capital of 734,277,400 Shares as at 31 December 2020, and (ii) NAV as at 30 June 2021 and the issued share capital of 740,107,400 Shares as at 30 June 2021, respectively.
- (2) Computed based on (i) NAV as at 31 December 2020, adjusted for the Proposed Capitalisation and the issued share capital of 824,277,400 Shares, after taking into account the issuance of 90,000,000 Capitalisation Shares, and (ii) NAV as at 30 June 2021, adjusted for the Proposed Capitalisation and the issued share capital of 830,107,400 Shares, after taking into account the issuance of 90,000,000 Capitalisation Shares, respectively.

3.3 Earnings per Share (“EPS”)

For illustrative purposes only, the financial effects of the Proposed Capitalisation on the EPS of the Group, assuming that the Proposed Capitalisation has been completed at the beginning of FY2020 and 6M2021 respectively, are as follows:

	Basic EPS (US cents) for FY2020	Diluted EPS (US cents) for FY2020	Basic EPS (US cents) for 6M2021	Diluted EPS (US cents) for 6M2021
Before adjusting for the Proposed Capitalisation ⁽¹⁾	(0.51)	(0.51)	0.94	0.94
After adjusting for the Proposed Capitalisation ⁽²⁾	(0.45)	(0.45)	0.84	0.84

Notes:

- (1) Basic EPS – Computed based on (i) in respect of FY2020, the weighted average number of Shares of 734,277,400 as at 31 December 2020, and (ii) in respect of 6M2021, the weighted average number of Shares of 735,249,067 at 30 June 2021.

Diluted EPS – Computed based on (i) in respect of FY2020, the weighted average number of Shares of 734,277,400 as at 31 December 2020, after taking into account the effects of dilution arising from the share options issued under the RHP Share Option Scheme 2011 that are outstanding as of 30 June 2021, which have been assumed to be issued at the beginning of FY2020, and (ii) in respect of 6M2021, the weighted average number of Shares of 737,279,596 as at 30 June 2021, after taking into account the effects of dilution arising from the share options issued under the RHP Share Option Scheme 2011 that are outstanding as of 30 June 2021, which have been assumed to be issued at the beginning of 6M2021.

- (2) Basic EPS – Computed based on (i) in respect of FY2020, the weighted average number of Shares of 824,277,400 as at 31 December 2020, after taking into account the issuance of 90,000,000 Capitalisation Shares, and (ii) in respect of 6M2021, the weighted average number of Shares of 825,249,067 as at 30 June 2021, after taking into account the issuance of 90,000,000 Capitalisation Shares.

Diluted EPS – Computed based on (i) in respect of FY2020, the weighted average number of Shares of 824,277,400 as at 31 December 2020, after taking into account the issuance of 90,000,000 Capitalisation Shares and the effects of dilution arising from the share options issued under the RHP Share Option Scheme 2011 that are outstanding as of 30 June 2021, which have been

assumed to be issued at the beginning of FY2020, and (ii) in respect of 6M2021, the weighted average number of Shares of 827,279,596 as at 30 June 2021, after taking into account the issuance of 90,000,000 Capitalisation Shares and the effects of dilution arising from the share options issued under the RHP Share Option Scheme 2011 that are outstanding as of 30 June 2021, which have been assumed to be issued at the beginning of 6M2021.

3.4 Gearing

For illustrative purposes only, the financial effects of the Proposed Capitalisation on the gearing of the Group, assuming that the Proposed Capitalisation has been completed on 31 December 2020 and 30 June 2021 respectively are as follows:

	Net Debt (US\$'000) as at 31 December 2020	Total Equity (US\$'000) as at 31 December 2020	Gearing⁽¹⁾ (times) as at 31 December 2020	Net Debt (US\$'000) as at 30 June 2021	Total Equity (US\$'000) as at 30 June 2021	Gearing⁽¹⁾ (times) as at 30 June 2021
Before adjusting for the Proposed Capitalisation	45,011	(16,439)	N.M.	31,983	(9,203)	N.M.
After adjusting for the Proposed Capitalisation	33,615	(5,043) ⁽²⁾	N.M.	20,587	2,193 ⁽²⁾	9.39

Notes:

- (1) Gearing means the ratio of net debt to equity attributable to the owners of the parent. Net debt means the aggregate amount of liabilities arising from banks and financial institutions, shareholder loans, trade and other payables and other liabilities, less cash and cash equivalents.
- (2) Computed based on (i) equity attributable to the owners of the Company as at 31 December 2020, adjusted for the Proposed Capitalisation, and (ii) equity attributable to the owners of the Company as at 30 June 2021, adjusted for the Proposed Capitalisation, respectively.

N.M.: not meaningful

4. LISTING

The Company will be making an application to the SGX-ST for the listing and quotation of the Capitalisation Shares on the Official List of the SGX-ST.

5. CIRCULAR

Further details on the Proposed Capitalisation will be set out in the Circular to be issued to Shareholders in due course, together with a notice of the EGM that the Company proposes to convene for the purpose of seeking Shareholders' approval.

BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis
Group CEO & Executive Director
6 October 2021