STRATEGIC ACQUISITION OF HUAYING PETROCHEMICAL BY

VSHEN CAPITAL



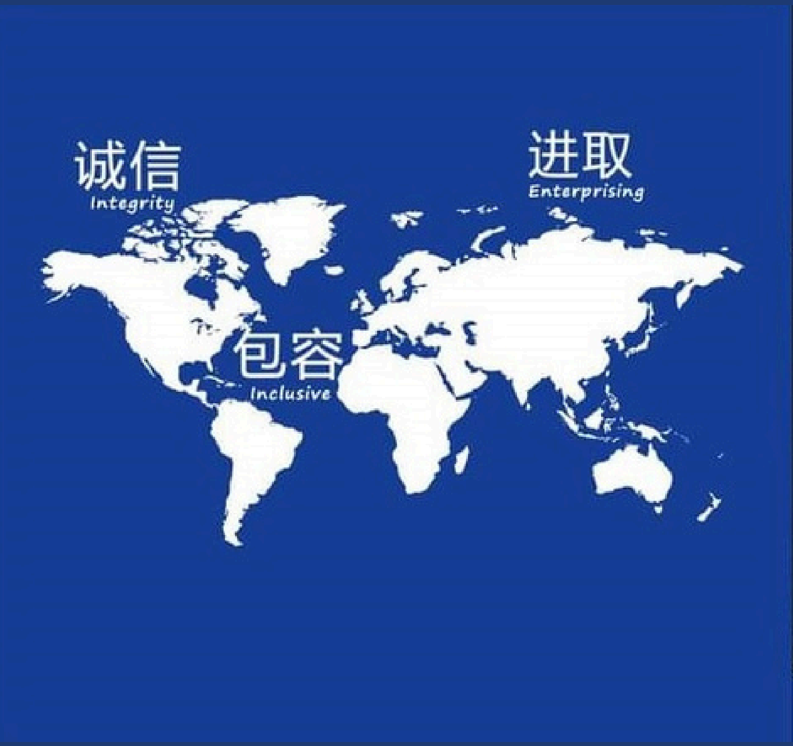

I. EXECUTIVE SUMMARY

Key Element	Proposal
Target	100% shares of Huaying Petrochemical Co., Ltd. (incl. all assets)
Acquirer	VSHEN CAPITAL (Malaysian Special Purpose Vehicle)
Acquisition Cost	**USD 500 million (max)**
Financing Structure	**Senior Debt (USD 500M, 5Y) + Islamic Sukuk (USD 800M, 20Y)**
Strategic Rationale	Capture South China's oil logistics hub; leverage VLCC terminal for trading
10-Year Value Creation	**USD 5.04B cumulative gross profit** from crude trading (see Sect. IV)

II. TRANSACTION STRUCTURE

CAPITAL STACK

Source	Amount (USD)	Tenor	Purpose	Collateral
Private Capital Partners	500 million	5 years	Acquisition funding	Huaying's storage/terminal assets
Islamic Sukuk Bond	800 million	20 years	Operations, expansion, debt settlement	Project cash flows & assets
Total Financing	**1.3 billion**			



III. ASSET VALUATION & DEAL TERMS

Asset	Asking Value	VSHEN Offer	Rationale
Storage & Terminals	USD 520M	**USD 450M**	Pending permits (crude storage) & litigation
Office Tower (Daya Bay)	USD 85M	**USD 50M**	Overvalued; market correction (Colliers's data)
Xiachong Land	USD 3.85M	**USD 3M**	Fair market value
Total Acquisition Cost	**~USD 609M**	**USD 500M**	18% discount to reflect DD risks

Conditions Precedent

1. Resolution of **RMB 160M (USD 25M) asset freeze** (pre-closing).
2. Approval of **crude oil storage permit** by Chinese regulators.
3. Satisfactory due diligence on environmental compliance.

IV. 10-YEAR CRUDE OIL TRADING PLAN

FINANCIAL PROJECTIONS

Metric	Monthly	Annual	10-Year Cumulative
Trading Volume	6 million bbl	72 million bbl	720 million bbl
Gross Profit	USD 42 million	USD 504 million	USD 5.04 billion
Gross Margin/bbl	USD 7.00	-	-

Implementation Strategy

- **Supply Partnerships:** Source discounted Venezuela's PDVSA, Middle Eastern crudes via VLCCs.
- **Offtake Agreements:** Contract 60% volume to "Big Two" (CNOOC/Sinopec) at fixed margins.
- **Infrastructure Leverage:** Use Huaying's bonded storage & blending for arbitrage:
    - Blend LSFO (0.5% sulphur) for IMO 2020 compliance (premium: USD 15-20/ton).
    - Re-export to Singapore/SE Asia bunker hubs.

V. SYNERGIES & EXPANSION

Phase 1: Stabilization (Years 1-2)

- Achieve **95% storage occupancy** (post-permit approval).
- Generate **USD 62M EBITDA** from storage/terminals (Page 15).

Phase 2: Growth (Years 3-5)

- Expand trading volume to **8 million bbl/month** (Sukuk-funded).
- Develop **pipeline connectivity** to CNOOC/Sinopec refineries.

Phase 3: Dominance (Years 6-10)

- Capture **30% share** of South China bonded bunker fuel (currently <10%, Page 13).
- Monetize office tower via REIT listing **(est. USD 60M cash inflow)**.

VI. RISK MITIGATION

Risk	Mitigation Action
Permit delays	Escrow 30% of payment until permit secured
Crude price volatility	Hedge 50% volume via futures (SGX, INE)
Litigation liabilities	Deduct USD 25M from purchase price for lawsuit costs
Sukuk refinancing risk	5-year grace period; amortize from Year 6

VII. FINANCIAL RETURNS

Scenario	IRR	Equity Multiple	Key Assumptions
Base Case	22%	3.5x	Trading: 6M bbl/month; Margin: USD 7/bbl
Upside Case	30%	5.0x	Storage permit by 2026; Trading to 8M bbl
Downside Case	12%	1.8x	Margin compression to USD 5/bbl

VIII. EXIT STRATEGY

- **Target Timeline:** 7–10 years
- **Options:**
    a. **Trade Sale:** To Chinese NOC (e.g., Sinopec) at 12x EBITDA.
    b. **IPO:** List Huaying on HKEX as an integrated oil logistics player.
    c. **Asset Divestment:** Sell terminals/storage separately (est. **USD 1.2B**).

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