

**DAGANG NEXCHANGE BERHAD (“DNeX” or the “Company”)**

**HEADS OF AGREEMENT FOR THE ACQUISITION OF THE REMAINING EQUITY INTEREST IN PING PETROLEUM LIMITED NOT CURRENTLY OWNED BY DNeX**

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*(Unless otherwise stated, the exchange rate of United States Dollar (“USD”)1.00 : Ringgit Malaysia (“RM”)4.1705, being the middle rate prevailing at 5.00 p.m. published by Bank Negara Malaysia (“BNM”) on 25 August 2020, being the latest practicable date prior to this announcement (“LPD”), has been used throughout this announcement, where applicable.)*

**1. INTRODUCTION**

On behalf of the Board of Directors of DNeX (“**Board**”), MIDF Amanah Investment Bank Berhad (“**MIDF Investment**”) wishes to announce that DNeX has on 26 August 2020 entered into a heads of agreement (“**HOA**”) with Ping Petroleum Limited (“**Ping**”), for DNeX to make an offer through Ping, to acquire the remaining equity interest in Ping not currently owned by DNeX (“**Proposal**”). Ping is a 30% owned indirect associate company of DNeX via DNeX Energy Sdn Bhd. The HOA is not legally binding and is subject to the signing of the definitive SPA.

The HOA provides a framework for the finalisation of the definitive Share Sale and Purchase Agreement (“**SPA**”) between DNeX and the owners of the remaining 70% equity interest in Ping (the “**Sellers**”). DNeX and the Sellers have agreed to negotiate and finalise the terms of the SPA including assessing and deciding on the most appropriate structure and form of the Proposal.

A detailed announcement will be made on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) upon execution of the SPA pursuant to the Proposal.

**2. DETAILS OF THE PROPOSAL**

Pursuant to the Proposal, DNeX intends to acquire the remaining equity interest in Ping not currently owned by DNeX for a purchase consideration to be negotiated (“**Purchase Consideration**”).

The definitive terms of the Proposal including the appropriate structure and form for the Proposal is subject to further negotiations between the Company and the Sellers and shall be finalised prior to the signing of the SPA.

Upon completion of the Proposal, Ping shall become a wholly-owned subsidiary of DNeX.

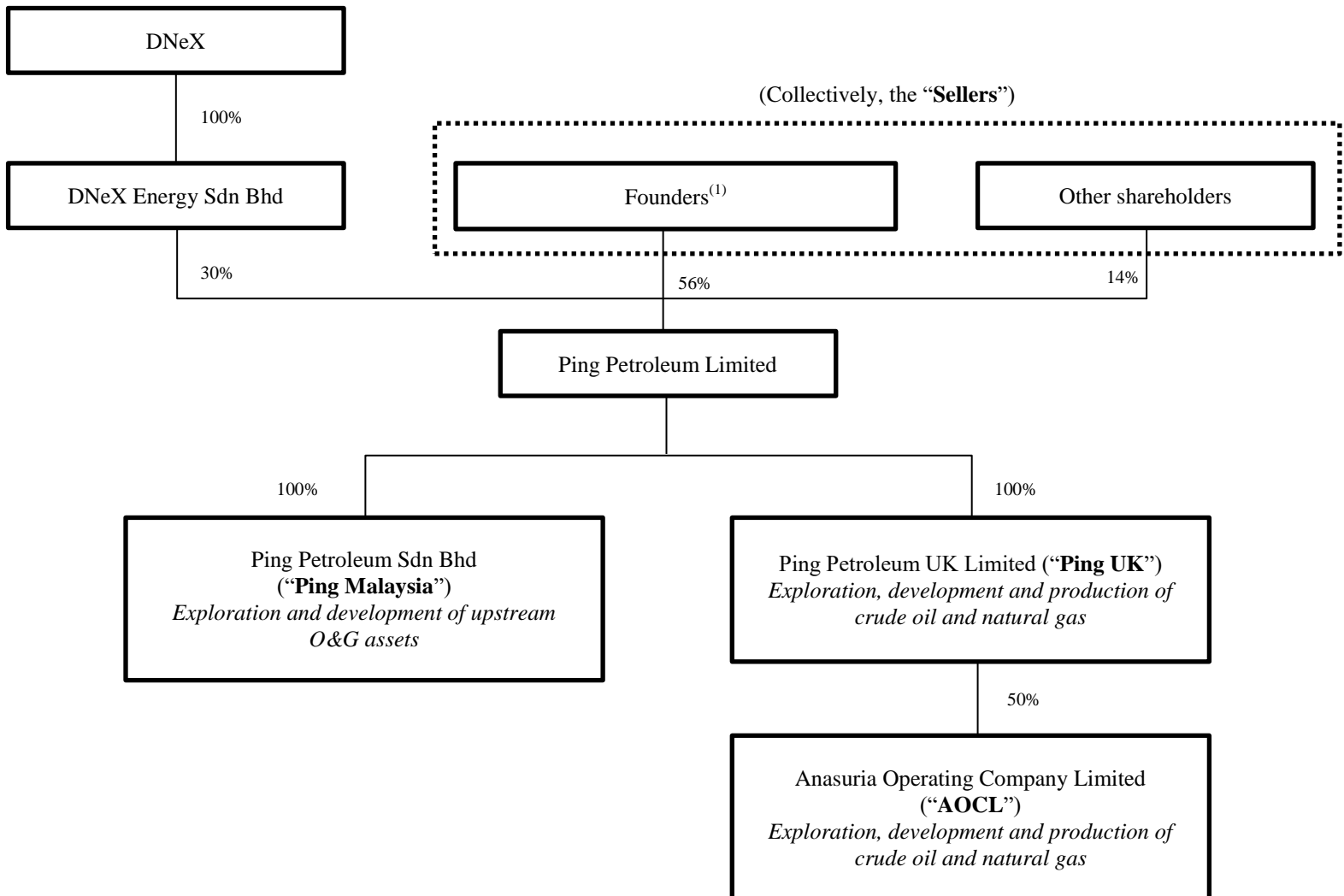
### 3. BACKGROUND INFORMATION ON PING

Ping was incorporated in Bermuda under the Companies Act 1981 of Bermuda (“**Bermuda Companies Act**”) on 31 July 2012 as a private limited company. As at the LPD, the authorised share capital of Ping is USD50,000 (equivalent to approximately RM208,525) comprising 50,000,000 ordinary shares in Ping of USD0.001 each (“**Ping Shares**”) whilst its issued and paid-up share capital is USD35,714.29 (equivalent to approximately RM148,946) divided into 35,714,286 shares of USD0.001 each.

Ping and its subsidiaries (“**Ping Group**”) are principally involved in the exploration, development and production of crude oil and natural gas and investment holding. Ping is an independent upstream oil and gas (“**O&G**”) company, focusing on shallow water offshore production and development opportunities in South East Asia and the United Kingdom (“**UK**”) sector of the North Sea.

As at the LPD, the directors of Ping are David Roy Phillips (Chairman), Ning Zhang, Paul A. Baltensperger, Michael J. Barrett, Mohd Azhar Bin Mohd Yusof and Zainal ‘Abidin Bin Abd Jalil.

As at the LPD, the corporate structure of the Ping Group is as follows:



Note:

<sup>(1)</sup> Founders refers to David Roy Phillips, Ning Zhang, Paul A. Baltensperger and Ju Ling Hong

Ping UK has 50% direct interest in AOCL, a joint operating company between Ping UK and Anasuria Hibiscus UK Limited (“**Anasuria Hibiscus UK**”), an indirect wholly-owned subsidiary of Hibiscus Petroleum Berhad.

Ping UK, Anasuria Hibiscus UK and AOCL have joint operations for the business of exploration, development and production of O&G in the Anasuria Cluster (other than the Cook Field, which has a separate joint operating agreement novated to Ping UK and Anasuria Hibiscus UK). AOCL is responsible to carry out all the operations on behalf of Ping UK and Anasuria Hibiscus UK.

The Anasuria Cluster is located in Western Platform area on the western margin of the Central Graben of the North Sea, in a water depth of 94 metres, approximately 175 km east of Aberdeen in the UK Central North Sea. The Anasuria Cluster comprises a geographically focused package of operated producing fields and associated infrastructure of the following:

- (i) 100% interest in the Guillemot A field and the related field facilities (“**Guillemot A Field**”);
- (ii) 100% interest in the Teal field and the related field facilities (“**Teal Field**”);
- (iii) 100% interest in the Teal South field and the related field facilities (“**Teal South Field**”);
- (iv) 38.65% interest in the Cook field and the related field facilities (“**Cook Field**”); and
- (v) 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and the related equipment (“**Anasuria FPSO**”).

(The Guillemot A Field, Teal Field, Teal South Field, Cook Field and Anasuria FPSO are collectively referred to as the “**Anasuria Cluster**”).

Ping UK and Anasuria Hibiscus UK each own a 50% interest in the Guillemot-A Field, Teal Field, and Teal South Field, and the Anasuria FPSO; and share a 38.65% interest in the Cook field, with Petrofac Facilities Management Limited (“**Petrofac**”) as the duty holder of the FPSO. Cook Field is operated by Ithaca Energy Limited (“**Ithaca**”).

A summary of Ping’s working interest in the Anasuria Cluster is summarised below:

	<b>Ping’s working interest (%)</b>
Guillemot A Field	50.00
Teal Field	50.00
Teal South Field	50.00
Cook Field	19.33
Anasuria FPSO	50.00

#### **4. SALIENT TERMS OF THE HOA**

The salient terms of the HOA are as follows:

##### **4.1 Payment of the Purchase Consideration**

The Purchase Consideration shall be satisfied partly in cash and in new DNeX ordinary shares (“**DNeX Shares**”) to be issued upon terms to be mutually agreed.

##### **4.2 Conditions**

The Proposal is subject to the execution by the Sellers and DNeX of a definitive SPA and shall be conditional upon the following matters:

- (a) Approval of the Board of Directors of Ping and DNeX;
- (c) Approval of the shareholders of Ping and DNeX;
- (d) Approvals from the regulatory authorities in Bermuda, United Kingdom and Malaysia where relevant; and
- (e) Any other conditions to be agreed by the Sellers and the Purchaser.

Upon completion of the Proposal, Ping will be a wholly-owned subsidiary of DNeX. Accordingly, DNeX shall assist Ping to raise fund to finance the working capital and/or capital expenditure of Ping (if required).

##### **4.3 Expiry**

The HOA shall expire on 31 October 2020 unless extended to such other date as the parties shall mutually agree or the date the SPA is executed, whichever is the earlier.

#### **5. RATIONALE FOR THE PROPOSAL**

The Proposal will enable DNeX to benefit from Ping’s future earnings in view of Ping’s potential to grow organically with its well balanced portfolio of production, development and exploration assets. Ping is estimated to have proved and probable (“**2P**”) oil reserve of 24.8 million barrels equivalent (“**MMboe**”).

Upon completion of the Proposal, Ping will be a wholly owned subsidiary of DNeX and DNeX will be able to fully consolidate the revenue and earnings of Ping, which is expected to enhance DNeX’s financial performance in the future.

## **6. EFFECTS OF THE PROPOSAL**

The pro forma effects of the Proposal on the issued share capital, substantial shareholders' shareholdings, net assets, gearing, earnings and earnings per share of DNeX will be included in the announcement of the Proposal to be made at a later date upon execution of the definitive SPA.

## **7. APPROVALS REQUIRED**

The HOA is non-binding and is not subject to the approval of the shareholders of DNeX and any relevant authorities at this juncture.

Upon the signing of the definitive SPA, the Proposal shall be subject to and conditional upon approvals being obtained from the following:

- (i) Approval of Bursa Securities for the listing of and quotation for the new DNeX Shares;
- (ii) Approval of the shareholders of Ping and DNeX for the Proposal; and
- (iii) Approvals from any other relevant regulatory authorities and/or parties in Bermuda, United Kingdom and Malaysia.

## **8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

None of the directors and major shareholders of DNeX and/or persons connected with them have any interest, direct and indirect, in the Proposal.

Mohd Azhar Bin Mohd Yusof is a common director of DNeX and Ping. He and persons connected to him do not have any interest other than him being a common director in DNeX and Ping.

Zainal 'Abidin Bin Abd Jalil is an indirect shareholder of DNeX and common director of DNeX and Ping. He and persons connected to him do not have any interest other than him being a common director in DNeX and Ping, and him being an indirect shareholder of DNeX.

## **9. ADVISERS**

MIDF Investment has been appointed as the Principal Adviser to the Company for the Proposal.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the HOA will be made available for inspection at the registered office of DNeX at Dagang Net Tower, Block 10 (A&B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 63000 Cyberjaya, Selangor, during normal business hours from Mondays to Fridays (except public holidays) for a period of 2 months from the date of this announcement.

This announcement is dated 26 August 2020.