HENGYANG PETROCHEMICAL LOGISTICS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200807923K)
(the "**Company**", and together with its subsidiaries, the "**Group**")

ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Material uncertainty related to going concern on the audited financial statements for the financial year ended 31 December 2016

Pursuant to Rule 704(4) of Section B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**Catalist Rules**"), the Board of Directors (the "**Board**") of the Company wishes to announce that the Company's independent auditor, BDO LLP has without modifying their opinion, included in the Independent Auditor's Report a material uncertainty in respect of the Group's and the Company's ability to continue as going concerns on the audited financial statements of the Group for financial year ended 31 December 2016 (the "**Audited Financial Statements**").

A copy of the Independent Auditor's Report and an extract of Note 4 to the Audited Financial Statements are attached to this announcement for information. Shareholders of the Company are advised to read the Audited Financial Statements in its annual report for the financial year ended 31 December 2016, which will be dispatched in due course.

For the avoidance of doubt, the Board is of the view that the Company will be able to operate as a going concern and the basis for the Board's view is as set out in an extract of Note 4 to the Audited Financial Statements.

The Board also wish to take this opportunity to confirm that all material disclosures have been provided for trading of the Company's shares to continue under Catalist Rule 1303(3)(c).

By Order of the Board

Mr Gu Wen Long
Executive Chairman and Chief Executive Officer
12 April 2017

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**"), for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist and Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

INDEPENDENT AUDITOR'S REPORT ("EXTRACT")

To the Members of Hengyang Petrochemical Logistics Limited

Material Uncertainty Related to Going Concern

We draw your attention to Note 4 in the financial statements, which indicates that the Group incurred a net loss of RMB101,454,000 and had cash outflows from operating activities of RMB24,620,000 for the financial year ended 31 December 2016. As of that date, the current liabilities of the Group and the Company exceeded their current assets by RMB895,848,000 and RMB21,748,000 respectively. During the financial year, the Group did not meet certain scheduled repayments of a bank loan and breached certain bank loan covenants which may result in an immediate recall of RMB438,073,000 owing to the banks. In addition, the Group's largest storage facilities in Jiangsu Deqiao Storage Co., Ltd. ("Deqiao") has not resumed operations since April 2016. These events or conditions, along with other matters set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Our opinion is not modified in respect of this matter.

4. Going concern

During the financial year, the Group has incurred a net loss of RMB101,454,000 and had cash outflows from operating activities of RMB24,620,000 for the financial year ended 31 December 2016. As of that date, the current liabilities of the Group and the Company exceeded the current assets by RMB895,848,000 and RMB21,748,000 respectively. The Directors of the Company expect the amount payable for land use rights acquired amounting to RMB86,550,000 recorded in trade and other payables will be waived by the local government in the PRC in line with the local investment promotion scheme. The related parties and Chairman of the Group have also undertaken not to demand repayment of the outstanding amounts of RMB61,945,000 until the Group's resources permit although the amounts are repayable on demand. After factoring out these payables, the net current liabilities of the Group was RMB747,353,000 as at 31 December 2016.

As of the date of this report, the Group's largest storage facilities in Jiangsu Deqiao Storage Co., Ltd. has not resumed operations since April 2016. In addition, the Group did not meet certain scheduled repayments of a bank loan and breached certain bank loan covenants during the financial year which may result in an immediate recall of RMB438,073,000 owing to the banks.

In order to strengthen the liquidity position of its subsidiaries in the PRC, the Group has entered into the following agreements involving an investment into its subsidiary, Jiangyin Foreversun Chemical Logistics Co., Ltd. ("Jiangyin Foreversun") by CITIC Port Investment Co., Ltd. ("CITIC Port") on 17 March 2017:

a) Issuance of equity interest in Jiangyin Foreversun and subscription of 37.2% of the enlarged equity interest in Jiangyin Foreversun by CITIC Port for an aggregate consideration of RMB450,000,000.

b) Concurrently, the Group will dispose of its 11.8% equity interest in Jiangyin Foreversun held by its subsidiary, Hengyang Holdings Pte. Ltd. ("HHPL"), to CITIC Port for an aggregate consideration of RMB142,900,000 such that the shareholder of Jiangyin Foreversun will comprise (i) HHPL holding 51% of the equity interest in Jiangying Foreversun and (ii) CITIC Port holding 49% of the equity interest in Jiangyin Foreversun upon completion.

These agreements are subject to the final approval by the shareholders of both parties which is expected to be completed within three months from the date of the agreements i.e. by June 2017. Thereafter, the cash considerations of RMB450,000,000 and RMB142,900,000 will be injected into Jiangyin Foreversun and HHPL respectively by CITIC Port.

The completion of the above exercise may result in the Group having joint control with CITIC Port over Jiangyin Foreversun and the other subsidiaries in the PRC which operate all the transportation, storage service and development stage business segments. The cash consideration injected into Jiangyin Foreversun will be used to strengthen the capital bases of the subsidiaries in the PRC, and rebuild the damaged storage facilities at Deqiao so as to resume its operations and revenue-generating capabilities. The cash consideration received by HHPL will be used to support the Group's investment holding activities and provide liquidity for business expansion when opportunities arise.

In assessing the appropriateness of the going concern assumption of the Group and the Company, the Directors are of the view that the proposed capital injection by CITIC Port is highly probable. In addition, the Directors are confident that the banks will not demand immediate repayments of the bank loans that are due and continue to provide financial support to the Group, in view of their long-term business relationships with the Group and their understanding that the Group's significant losses incurred this year was mainly due to the Deqiao Incident. Taking these factors into account, the Directors have assessed that the use of the going concern basis of accounting in the preparation of the Group's and the Company's financial statements remains appropriate.

4. Going concern (Continued)

Notwithstanding this, the Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's and the Company's abilities to continue as going concerns, as the validity of the going concern assumption is premised on the successful completion of the proposed capital injection by CITIC Port as well as the favourable support from the Group's bankers.

Should the Group and the Company be unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.