

**HENGYANG PETROCHEMICAL LOGISTICS LIMITED**

(Incorporated in Singapore on 23 April 2008)  
(Company Registration Number: 200807923K)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL PERIOD ENDED 31 MARCH 2016 (“1Q2016”)****PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS****1(a)(i) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		
	1Q2016 RMB'000	1Q2015 RMB'000	% (+/-)
<b>Revenue</b>	<b>48,407</b>	<b>47,715</b>	1.5
Cost of sales	(31,826)	(39,758)	(20.0)
<b>Gross profit</b>	<b>16,581</b>	<b>7,957</b>	108.4
Other income	404	321	25.9
Administrative expenses	(9,879)	(14,060)	(29.7)
Finance costs	(4,199)	(1,259)	nm
<b>Profit/(loss) before income tax</b>	<b>2,907</b>	<b>(7,041)</b>	nm
Income tax expense	(1,569)	(1,011)	55.2
<b>Net profit/(loss) for the period</b>	<b>1,338</b>	<b>(8,052)</b>	<b>nm</b>
<b>Profit/(Loss) attributable to:</b>			
Owners of the parent	204	(5,506)	nm
Non-controlling interests	1,134	(2,546)	nm
	<b>1,338</b>	<b>(8,052)</b>	<b>nm</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	204	(5,506)	nm
Non-controlling interests	1,134	(2,546)	nm
	<b>1,338</b>	<b>(8,052)</b>	<b>nm</b>

**1(a)(ii) Notes to the income statements**

The Group's profit/(loss) before income tax has been arrived at after charging / (crediting) the following:

	1Q2016 RMB'000	1Q2015 RMB'000	% (+/-)
Depreciation and amortisation	10,217	6,751	51.3
Foreign exchange loss(gain), net	(220)	2,443	nm*
Interest income	(284)	(45)	530.2
Other income	(120)	(276)	(56.5)
Interest expenses	4,199	1,259	233.5

\* nm denotes not meaningful

**HENGYANG PETROCHEMICAL LOGISTICS LIMITED**

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	31.3.2016 RMB'000	31.12.2015 RMB'000	31.3.2016 RMB'000	31.12.2015 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	1,544,222	1,466,558	19	22
Land use rights	261,723	263,187	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,805,945	1,729,745	267,491	267,494
<b>Current assets</b>				
Trade and other receivables	68,357	61,000	45	52
Amount owing by related parties	8,655	4,177	-	-
Amount owing by subsidiaries	-	-	482	291
Current income tax recoverable	-	172	-	-
Cash and cash equivalents	37,409	49,017	694	1,220
	114,421	114,366	1,221	1,563
Less:				
<b>Current liabilities</b>				
Trade and other payables	359,551	294,312	1,368	1,006
Amount owing to related parties	41,896	62,410	-	-
Amount owing to directors	11,585	10,971	1,644	1,370
Amount owing to a subsidiary	-	-	16,759	16,056
Amount owing to the holding company	-	-	-	-
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank borrowings	218,100	171,200	-	-
Current income tax payable	2,838	1,855	-	-
	638,472	545,250	19,771	18,432
<b>Net current liabilities</b>	(524,051)	(430,884)	(18,550)	(16,869)
Less:				
<b>Non-current liabilities</b>				
Amount owing to a related party	93,050	93,050	-	-
Amount owing to a director	11,143	11,143	-	-
Bank borrowings	523,460	542,110	-	-
Deferred tax liabilities	17,244	16,899	-	-
	644,897	663,202	-	-
<b>Net assets</b>	636,997	635,659	248,941	250,625
<b>Equity</b>				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	14,922	14,922	-	-
Foreign currency translation account	(270)	(270)	-	-
Other reserve	84,113	84,113	-	-
Retained earnings/(Accumulated losses)	17,796	17,592	(40,123)	(38,439)
Equity attributable to owners of the parent	405,625	405,421	248,941	250,625
Non-controlling interests	231,372	230,238	-	-
<b>Total equity</b>	636,997	635,659	248,941	250,625

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

### 1(b)(ii) Aggregate amount of Group's borrowings and debt securities

RMB'000	As at 31 March 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year <sup>(1)</sup>	218,100	55,909	274,009	171,200	71,813	243,013
Repayable after one year	536,960	90,693	627,653	555,610	90,693	646,303
<b>Total</b>	<b>755,060</b>	<b>146,602</b>	<b>901,662</b>	<b>726,810</b>	<b>162,506</b>	<b>889,316</b>

### Note (1) Reconciliation

RMB'000	As at 31 March 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year						
Per Group's statement of financial position	218,100	57,983	276,083	171,200	77,883	249,083
Non-borrowing liabilities	-	(2,074)	(2,074)	-	(6,070)	(6,070)
<b>Total</b>	<b>218,100</b>	<b>55,909</b>	<b>274,009</b>	<b>171,200</b>	<b>71,813</b>	<b>243,013</b>

### Unsecured Borrowings:

As at 31 March 2016, the Group's unsecured borrowings which were repayable within one year amounted to RMB55.9 million. These unsecured borrowings comprised the following:

- 1) An amount of RMB4.5 million owing to Mr Ku Wing Hing, the former shareholder of a subsidiary, for the unpaid interest related to the prior years' dividend paid in December 2011.
- 2) An amount of RMB9.9 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB1 million of the accrued interest on loans of RMB11.1 million (please refer to the paragraph below on non-current borrowings for more information); and b) non-interest bearing loan of RMB8.9 million.
- 3) An amount of RMB25.5 million due to a related party – Wuhan Kangyang Petrochemical Co., Ltd ("**Wuhan Kangyang**") comprising a) a short-term loan of RMB25 million bearing interest at the funding cost incurred by **Wuhan Kangyang**; and b) its related interest amounting RMB0.5 million.
- 4) A total amount of RMB16.0 million short-term payables due to the Group's related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") which represents accrued interest on loans of RMB93.1 million (please refer to the paragraph below on non-current borrowings for more information).

As at 31 March 2016, the Group's non-current unsecured borrowings amounted to RMB90.7 million, and comprised the following:

- 5) An amount of RMB11.1 million owing to the **Chairman**. On 1 July 2013, the Group and the **Chairman** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014. On 1 January 2015, the Group and the **Chairman** signed another supplementary agreement to extend the borrowings to 30 June 2018, and the borrowing bears interest at the prevailing prime lending rate set by People's Bank of China.
- 6) An amount of RMB93.1 million owing to **Jinqiao Chemical** for partial funding of the construction of Foreversun Facility and Deqiao Facility. On 1 July 2013, the Group and **Jinqiao Chemical** signed a supplementary agreement to extend the borrowings (non-interest bearing) to 31 December 2014. On 1 January 2015, the Group and **Jinqiao Chemical** signed another supplementary agreement to extend the borrowings to 30 June 2023. Of the total borrowings, RMB29.5 million bears interest at the funding cost incurred by **Jinqiao Chemical**, and the balancing RMB63.6 million bears interest at 10% above the prevailing prime lending rate set by People's Bank of China. Any repayment for the above loan is subject to the approval from the Company's Audit Committee as well as unanimous approval from the board of Hengyang Holding Pte. Ltd ("**HHPL**"), which includes members nominated by MEGCIF Investments 5 Limited ("**MEGCIF5**").

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

Of the total borrowings of RMB93.1 million, RMB79.6 million was unsecured, and RMB13.5 million was secured by part of the Company's subsidiary, Jiangyin Foreversun Chemical Logistics Co., Ltd's ("**Jiangyin Foreversun's**") tank facilities with a carrying value of RMB16.9 million as at 31 March 2016.

### Secured Borrowings

As at 31 March 2016, the Group's secured borrowings amounted to RMB755.1 million. The secured borrowings comprised an amount of RMB13.5 million owing to **Jinqiao Chemical** described in note 6 of the unsecured borrowings and the following bank loans:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G	Loan H	Total
Borrower	Jiangsu Deqiao	Wuhan Hengyang	Wuhan Hengyang	Chongqing Hengyang	Yueyang Hengyang	Yueyang Hengyang	Golden bridge	Wuhan Hengyang	
Nature	Construction loan					Working capital loan	Working capital loan	Working capital loan	
<b>Loan facilities granted</b>	<b>400.0</b>	<b>150.0</b>	<b>427.0</b>	<b>100.0</b>	<b>120.0</b>	<b>40.0</b>	<b>38.0</b>	<b>20.0</b>	<b>1,295.0</b>
Loan amount drawn down	400.0	150.0	230.0	71.6	100.0	40.0	38.0	20.0	1,049.6
Amounts repaid	(100.0)	(143.1)	(43.4)	(6.0)	(15.0)	(0.5)	-	-	(308.0)
<b>Outstanding amounts</b>	<b>300.0</b>	<b>6.9</b>	<b>186.6</b>	<b>65.6</b>	<b>85.0</b>	<b>39.5</b>	<b>38.0</b>	<b>20.0</b>	<b>741.6</b>
- Repayable within one year	80.0	-	46.6	22.0	10.0	1.5	38.0	20.0	218.1
- Repayable after one year	220.0	6.9	140.0	43.6	75.0	38.0	-	-	523.5

- 1) Bank loan A from the Nanyang Commercial Bank Limited, repayable over 8 years till December 2020, is secured by corporate guarantees furnished by the Company's subsidiaries **Jiangyin Foreversun** and Jingjiang Shuangjiang Ports Co., Ltd. ("**Jingjiang Shuangjiang**"), the Group's related party, **Jinqiao Chemical**, and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the land use rights (net carrying value of RMB66.3 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB228.9 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and Jiangsu Deqiao Storage Co., Ltd. ("**Jiangsu Deqiao**").
- 2) Loan B from the Wuhan Rural Commercial Bank, repayable progressively from July 2013 to July 2019, is secured by corporate guarantees furnished by **Jiangyin Foreversun**, **Jiangsu Deqiao**, and mortgages against part of the PPE (net carrying value of RMB334.1 million) of Wuhan Hengyang Chemical Logistics Co., Ltd ("**Wuhan Hengyang**").
- 3) Bank loan C from the China Minsheng Banking Corp. Ltd., repayable progressively from June 2014 to February 2019, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun** and **Jiangsu Deqiao**, and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the land use right and PPE (carrying value of RMB470.1 million) of **Wuhan Hengyang** and the entire equity interest of Wuhan Hengyang owned by **HHPL**.
- 4) Bank loan D from the China Minsheng Banking Corp. Ltd., repayable progressively from December 2015 to August 2019, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun** and **Jiangsu Deqiao**, and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the jetties under construction of Chongqing New Hengyang Storage Co., Ltd. ("**Chongqing Hengyang**") and the entire equity interest of **Chongqing Hengyang** owned by **HHPL**.
- 5) Bank loan E from the Bank of China, repayable over 8 years till December 2020, is secured by corporate guarantees furnished by the Company's subsidiaries, **Jiangyin Foreversun**, and personal guarantees furnished by the **Chairman**. In addition, this loan is also secured by mortgages against the land use rights and PPE (total carrying value of RMB252.4 million) of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("**Yueyang Hengyang**").

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

- 6) Bank Loan F from the Huarong Xiangjiang Bank, repayable from December 2015 to June 2018, is secured by corporate guarantees furnished by **Jiangyin Foreversun** and personal guarantees furnished by the **Chairman** and his spouse. In addition, this loan is also secured by mortgages against the jetties under RMB37 million of construction of **Yueyang Hengyang** and its coastline use rights.
- 7) Bank loan G from the Jiangyin Rural Commercial Bank, repayable in August 2016, is secured by mortgages against the land use rights (total carrying value of RMB17.3 million) of **Jiangyin Foreversun**.
- 8) Bank loan H from Bank of Communications, repayable in February 2017, is secured by guarantees from the **Company**, **Chairman** and subsidiaries, **Wuhan Hengyang** and **Jiangyin Hengyang**.

**HENGYANG PETROCHEMICAL LOGISTICS LIMITED**

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

**1(c)(i) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	1Q2016 RMB'000	1Q2015 RMB'000
<b>Operating activities</b>		
Profit/(loss) before income tax	2,907	(7,041)
Adjustments for:		
Depreciation of property, plant and equipment	9,933	6,484
Amortisation for land use rights	284	267
Loss/(Gain) on disposal of plant and equipment	3	-
Write off of plant and equipment	-	-
Interest income	(284)	(45)
Interest expense	4,199	1,259
Unrealised foreign exchange loss (gain), net	(220)	-
<b>Operating cash flows before working capital changes</b>	16,822	924
Working capital changes:		
Trade and other receivables (including related parties)	(11,877)	(7,828)
Trade and other payables	63,568	12,893
<b>Cash generated from operations</b>	68,513	5,989
Interest paid	(3,329)	(192)
Income tax paid	(1,597)	(1,101)
<b>Net cash from operating activities</b>	63,587	4,696
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(73,183)	(28,218)
Interest paid and capitalised	(8,091)	(28,482)
Interest received	284	37
<b>Net cash used in investing activities</b>	(80,990)	(56,663)
<b>Financing activities</b>		
Proceeds from issue of ordinary shares by a subsidiary to a non-controlling shareholder	-	-
Proceeds from bank borrowings	40,000	35,000
Repayment of bank borrowings	(11,750)	(2,100)
Fixed deposits pledged in financial institutions	21,725	(52,015)
Amount owing to related parties	(22,676)	3,000
Amount owing to a director	-	-
<b>Net cash from/(used in) financing activities</b>	27,299	(16,115)
Net change in cash and cash equivalents	9,896	(68,082)
Cash and cash equivalents at beginning of the period <sup>(1)</sup>	7,291	82,406
Effect of exchange rate changes on cash and cash equivalents	220	
<b>Cash and cash equivalents at end of the period <sup>(1)</sup></b>	<b>17,407</b>	<b>14,324</b>

**HENGYANG PETROCHEMICAL LOGISTICS LIMITED**

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

## 1) Reconciliation:

	<b>Group</b>	
	As at 31 Mar 2016 RMB'000	As at 31 Dec 2015 RMB'000
Cash and cash equivalents per consolidated statement of financial position	37,409	49,017
Restricted cash in bank	(20,002)	(41,726)
Cash and cash equivalents per consolidated statement of cash flows	17,407	7,291

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

<u>Company (RMB'000)</u>	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total equity</u>
<b>(Unaudited)</b>			
<b>Balance as at 1 January 2016</b>	<b>289,064</b>	<b>(38,439)</b>	<b>250,625</b>
Loss for the period	-	(1,684)	(1,684)
<b>Balance as at 31 March 2016</b>	<b>289,064</b>	<b>(40,123)</b>	<b>248,941</b>
<b>(Unaudited)</b>			
<b>Balance as at 1 January 2015</b>	<b>289,064</b>	<b>(34,328)</b>	<b>254,736</b>
Loss for the period	-	(741)	(741)
<b>Balance as at 31 March 2015</b>	<b>289,064</b>	<b>(35,069)</b>	<b>253,995</b>

**HENGYANG PETROCHEMICAL LOGISTICS LIMITED**

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

**Consolidated Statement of Changes in equity**

Group (RMB'000)	Attributable to owners of the company						Non-controlling Interests	Total equity
	Share capital	Statutory common reserve	Foreign currency translation account	Other reserve	Retained earnings	Equity attributable to owners of the parent		
<b>(Unaudited)</b>								
Balance as at 1 January 2016	289,064	14,922	(270)	84,113	17,592	405,421	230,238	635,659
Total comprehensive income for the period	-	-	-	-	204	204	1,134	1,338
<b>Balance as at 31 March 2016</b>	<b>289,064</b>	<b>14,922</b>	<b>(270)</b>	<b>84,113</b>	<b>17,796</b>	<b>405,625</b>	<b>231,372</b>	<b>636,997</b>
<b>(Unaudited)</b>								
Balance as at 1 January 2015	289,064	13,526	(270)	83,004	29,407	414,731	230,538	645,269
Total comprehensive income for the period	-	-	-	-	(5,506)	(5,506)	(2,546)	(8,052)
<b>Balance as at 31 March 2015</b>	<b>289,064</b>	<b>13,526</b>	<b>(270)</b>	<b>83,004</b>	<b>23,901</b>	<b>409,225</b>	<b>227,992</b>	<b>637,217</b>



## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversions of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes to the Company's share capital since the end of the previous period reported on, this being 31 December 2015.

The Company did not have any outstanding convertibles which may be converted into ordinary shares.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>31.03.2016</u>	<u>31.12.2015</u>
Total number of issued shares (excluding treasury shares)	203,461,883	203,461,883

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited financial statements have been applied.**

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended at 31 December 2015. In addition, the Group adopted the new or revised FRS and Interpretations of FRS, where applicable, effective for the current financial year. The said adoption has no significant impact to the financial statements of the Group.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016.

The adoption of new/revised FRS and INT FRS does not result in any substantial changes to the Group's accounting policies, and has no material effect on the amounts reported for the current or prior periods.

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

6. **If earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share:	Group	
	1Q 2016	1Q 2015
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	0.10	(2.71)
(b) Diluted EPS (RMB cents)	0.10	(2.71)

### Notes:

- (a) Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.
- (b) Diluted EPS is the same as the basic EPS as the Group does not have any outstanding instruments convertible into, rights to subscribe for and options in respect of its ordinary shares during the respective financial years.

7. **Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) Current financial period reported on and (b) Immediately preceding financial year.**

	Group		Company	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Net asset value per ordinary share (RMB cents)	199.4	199.3	122.4	123.2

8. **A review of the performance of the group to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### Statement of comprehensive income of the Group for 1Q2016 compared to 1Q2015

#### Revenue

The Group's revenue increased marginally by 1.5% or RMB0.7 million from RMB47.7 million in 1Q2015 to RMB48.4 million in 1Q2016.

This was due to higher storage service revenue offset partially by lower transportation service revenue.

The revenue from the transportation services reduced RMB7.9 million due to fewer trips undertaken arising from the customers' factory overhaul maintenance during 2016 Chinese New Year period.

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

The revenue from the storage service segment increased RMB8.6 million. The increase was mainly due to

- (a) RMB7.6 million maiden oil products storage in Jiangsu Deqiao Storage Co. Ltd. (“**Jiangsu Deqiao**”) after Jiangsu Deqiao obtained the license to store gasoline and diesel products;
- (b) Yueyang Hengyang Chemical Logistics Co. Ltd. (“**Yueyang Hengyang**”) commenced operations and recorded a small RMB1.0 million revenue.

### Cost of sales

Although revenue increase marginally, the Group's cost of sales decreased by 20.0% or RMB7.9 million from RMB39.8 million in 1Q2015 to RMB31.8 million in 1Q2016.

Transportation: The decrease in cost of sales was mainly due to the decrease of RMB7.5 million from the Group's transportation services segment in line with the lower revenue.

Storage: The increase in cost of sales was mainly due to maiden depreciation costs in Yueyang and Chongqing, partially offset by the lower jetty use fee in Jiangyin Hengyang.

### Gross profit

As a result of the above, the Group's gross profit increased by 108.4% or RMB8.6 million from RMB8.0 million in 1Q2015 to RMB16.6 million in 1Q2016.

	Storage		Transportation		Elimination		Total	
	1Q2016	1Q2015	1Q2016	1Q2015	1Q2016	1Q2015	1Q2016	1Q2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	27,186	17,800	21,969	29,916	(748)		48,407	47,715
Cost of Sales	(16,395)	(13,899)	(19,187)	(26,734)	3,756	875	(31,826)	(39,758)
Gross Profit	10,791	3,901	2,782	3,182	3,008	875	16,581	7,957
Gross profit margin	39.7%	21.9%	12.7%	10.6%			34.3%	16.7%

The overall gross profit margin increased to 34.3% in 1Q2016 as compared to 16.7% in 1Q2015 due to change of mixed sales structure.

### Other operating income

The Group's other operating income amounted to RMB0.4 million in 1Q2016 and comprised mainly RMB0.3 million interest income and sundry income amounting to RMB0.1 million.

The Group's other operating income recorded in 1Q2015 comprised mainly a subsidy of RMB0.2 million received from the Government for logistics companies and sundry income amounting to RMB0.1 million.

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

### Administrative expenses

The Group's administrative expenses decreased by 29.7% or RMB4.2 million from RMB14.1 million in 1Q2015 to RMB9.9 million in 1Q2016. This was mainly due to:

- (a) a foreign exchange gain of RMB0.2 million as compared to a foreign exchange loss of RMB2.4 million in 1Q2015.
- (b) Lower bonus expense by RMB1.9 million.

### Finance costs

The Group's finance costs increased by RMB2.9 million from RMB1.3 million in 1Q2015 to RMB4.2 million in 1Q2016. The finance costs for 1Q2016 comprised interest for the working capital loan amounting RMB0.4 million and RMB2.5 million interest cost for Chongqing and Yueyang's bank loan. In 1Q2015, the Chongqing and Yueyang's bank loan interest was capitalised. The RMB1.3 million finance costs in 1Q2015 was the bank interest of Jiangyin Hengyang and Transportation's working capital loan.

### Income tax expense

The Group's income tax expense increased by 55.2% or RMB0.6 million from RMB1.0 million in 1Q2015 to RMB1.6 million in 1Q2016. The increase was mainly resulted from the business growth of Deqiao and Wuhan.

### Net Profit

As a result of the above, the Group recorded a net profit of RMB1.3 million in 1Q2016 as compared a net loss of RMB8.1 million in 1Q2015.

### Statement of financial position of the Group as at 31 March 2016

#### Non-current assets

As at 31 March 2016, the Group's non-current assets amounted to RMB1,805.9 million, and accounted for 94.0% of the Group's total assets.

	31.3.2016	31.12.2015
	RMB'000	RMB'000
Construction in-progress	979,570	892,943
Land use rights	261,723	263,187
Tank facilities	280,585	285,245
Buildings on leasehold land	112,335	113,043
Jetties	112,990	113,968
Electronic system and equipment	52,108	54,398
Furniture and fixture	269	168
Motor vehicles	6,365	6,793
	1,805,945	1,729,745

The increase of RMB76.2 million in 1Q2016 was mainly due to the continued capital expenditure and capitalization of interest incurred for the construction of development projects amounting to RMB81.3 million. The increase was partially offset by the depreciation and amortization charged in the current financial period.

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

### Current assets

As at 31 March 2016, the Group's current assets amounted to RMB114.4 million comprising trade and other receivables, amount owing by related parties, current income tax recoverable and cash and cash equivalents, and accounted for 6.0% of its total assets.

As at 31 March 2016, a total of RMB68.4 million in trade and other receivables were recorded, of which,

- (a) RMB31.7 million was trade receivables from third party customers;
- (b) RMB1.3 million was note receivables from financial institutions;
- (c) RMB18.7 million was deductible VAT; and
- (d) RMB16.7 million was other receivables which included prepayments for purchase of PPE and transportation services, deposits for the acquisition of land use rights and utilities services, and advance to staff.

The increase of the trade and other receivables was mainly due to the trade receivables from the growth of Deqiao and Wuhan business, higher VAT receivables as those subsidiaries under construction incurred higher input tax in 1Q2016, as well as higher prepayment made to third-party transport service providers.

As at 31 March 2016, the amounts owing by related parties amounted to RMB8.7 million representing trade receivables for the provision of petrochemical storage and transportation services. The main reason for the increase was due to higher sales transacted in 1Q2016.

The Group's cash and cash equivalents were denominated in RMB, USD and SGD. The Group's cash and cash equivalents as at 31 March 2016 stood at RMB37.4 million, a decrease of RMB11.6 million as compared to RMB49.0 million as at 31 December 2015. The decrease was mainly due to the payment made for the cost of construction of the development projects offset by drawdown of bank borrowings. Please refer to the cashflow analysis for more information.

### Current liabilities

As at 31 March 2016, the Group's current liabilities amounted to RMB638.5 million comprising trade and other payables, amount owing to related parties, amount owing to directors, amount due to a former shareholder of a subsidiary, current portion of bank borrowings, and current income tax payable. This accounted for 49.7% of its total liabilities.

As at 31 March 2016, a total of RMB359.6 million trade and other payables were recorded. This mainly comprised:

- (a) RMB337.9 million due to contractors and government authorities in relation to the various construction projects, of which an amount of RMB81.7 million were related to the land use rights acquired. The Group expects that the Government authority will waive the amount payable in line with the local investment promotion scheme; and
- (b) RMB21.8 million of trade payables which included RMB14.6 million payable to third-party transport companies for leasing of tank trucks and RMB1.6 million employee bonus payables.

The Group's trade and other payables as at 31 March 2016 increased by RMB65.2 million as compared to that of 31 December 2015 due to construction costs recorded during the reporting period.

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

As at 31 March 2016, the Group had a total of RMB55.9 million short-term unsecured borrowings. This comprised:

- (a) RMB4.5 million owing to a former shareholder of a subsidiary;
- (b) RMB9.9 million due to the **Chairman**;
- (c) RMB25.5 million short-term borrowing from its related party **Wuhan Kangyang**; and
- (d) RMB16 million due to its related party **Jinqiao Chemical**.

Please refer to section 1(b)(ii) for more details on the above unsecured borrowings.

Other than the amount due to the **Chairman**, included in the amount owing to directors were an amount of RMB1.0 million owing to a director of the Company in respect of the consultancy services incurred in previous years and accrued directors' fees and salary amounting RMB0.6 million as at 31 March 2016.

The Group's short-term bank borrowings as at 31 March 2016 amounted to RMB218.1 million which were the short-term working capital loan of RMB38 million for its transportation segment; RMB20 million for Wuhan Hengyang and the current portion of the various construction loans as disclosed in section 1(b)(ii), secured borrowings.

As at 31 March 2016, the Group had RMB2.8 million in current income tax payable.

### Non-current liabilities

As at 31 March 2016, the Group's non-current liabilities amounted to RMB644.9 million, made up 50.3% of its total liabilities, and comprising:

- (a) RMB523.4 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB218.1 million as disclosed above. Please refer to section 1(b)(ii) for more details on the Group's borrowings.
- (b) RMB93.1 million due to a related party – **Jinqiao Chemical**;
- (c) RMB11.1 million owing to the **Chairman**; and
- (d) RMB17.3 million of deferred tax liabilities.

Please refer to section 1(b)(ii) for more details for on the non-current unsecured borrowings.

As at 31 March 2016, the Group had an amount of RMB17.2 million in deferred tax liabilities. The deferred tax liabilities arose from temporary difference between the Group's accounting carrying value and tax carrying values of the PPE.

### Shareholders' equity

As at 31 March 2016, the Group's equity attributable to owners of the parent was RMB405.6 million, mainly comprising:

- (a) share capital of RMB289.1 million;
- (b) statutory common reserve of RMB14.9 million;
- (c) Foreign currency translation reserve negative RMB0.3 million
- (d) other reserve of RMB84.1 million arising from dilution of interest in a subsidiary, **HHPL** as a result of the new shares issued by **HHPL** to a non-controlling shareholder in FY2013 and

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

(e) retained earnings of RMB17.8 million.

As at 31 March 2016, the Group' non-controlling interests was RMB231.4 million, comprising mainly **MEGCIF5's** 35% interest in the Group's subsidiary, **HHPL**.

### Working capital

As at 31 March 2016, the Group was in a net current liabilities position of RMB524.1 million as compared to net current liabilities of RMB430.9 million as at 31 December 2015. Excluding a) the RMB81.7 million for the land use rights acquired, which the Group expects the Government authority to waive in line with the local investment promotion scheme; b) the RMB9.9 million due to its Chairman which is repayable only when the Group's internal resources permit; and c) the RMB16.0 million due to its related parties, which the related parties are willing to give the Group financial support, the Group's net working capital deficit would be RMB416.5 million as at 31 March 2016.

### Statement of Cash flows of the Group for 1Q2016

As at 31 March 2016, the Group recorded cash and cash equivalents of RMB37.4 million as compared to RMB49.0 million as at 31 December 2015.

Net cash flows generated from operating activities for 1Q2016, after meeting the working capital requirements and paying income tax and interest, were RMB63.6 million.

Net cash from financing activities for the 1Q2016, amounted to RMB27.3 million, was the net effect of additional bank loan drawdowns of RMB40.0 million and bank loan repayments of RMB12.7 million.

Net cash used for investing activities for the 1Q2016, amounted RB81.0 million, was for the Group's construction projects and paying the bank loan interest.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement had been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

China recorded a 6.7% first quarter year-on-year growth rate, a slowdown from 6.8% in the last quarter of 2015<sup>1</sup>. It also marked the slowest rate since the first quarter of 2009. The market condition still remains challenging as Chinese economy faces increasing downward pressure amid global economic uncertainty.

On the morning of 22 April 2016, an industrial fire had occurred at the storage facility ("Deqiao Facility") of the Company's subsidiary company, Jiangsu Deqiao Storage Co., Ltd., ("Accident"). The fire was put out at around 1.50 a.m. on 23 April 2016, 16 hours after it started. Taking into consideration the Accident, the Directors are evaluating all options to meet the Group's financial obligations.

Accordingly, the Group expects its financial performance to be adversely affected going forward.

---

<sup>1</sup> Information from the website of Nation Bureau of Statistics of PRC:  
[http://www.stats.gov.cn/tjsj/zxfb/201604/t20160416\\_1344514.html](http://www.stats.gov.cn/tjsj/zxfb/201604/t20160416_1344514.html)

## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

### 11. Dividend

#### (a) Current Financial Period Reported On

*Any dividend declared for the current financial period reported on?*

No dividend has been declared or recommended for 1Q2016.

#### (b) Corresponding Period of the Immediately Preceding Financial Year

*Any dividend declared for the corresponding period of the immediately preceding financial year?*

No dividend has been declared or recommended for 1Q2015.

### 12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for 1Q2016.

### 13. Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandated pursuant to Rule 920) <sup>(5)</sup>	Aggregate value of all interested person transactions conducted under the existing shareholders' mandated pursuant to Rule 920 (excluding transactions less than \$100,000)
	RMB'000	RMB'000
Provision of Petrochemical storage services and land transport services (1)		
- Jinqiao Chemical	-	2,874
- Shanghai Kangyang(2)	-	138
- Golden Hope(3)	-	148
Interest expense charged		
- Jinqiao Chemical	-	1,301
- Wuhan Kangyang(2)	-	431
Gu Wenlong		132

#### Notes:

- (1) Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the **Chairman**.
- (2) Shanghai Kangyang, Wuhan Kangyang, and Jiangyin Saisheng are controlled by Jinqiao Chemical.
- (3) Golden Hope is controlled by Mr Gu Wen Long, the **Chairman** of the Group.

The Company had obtained a renewal of the shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 22 April 2016. The Shareholders' Mandate applies to the Mandated Transactions, as defined in the next paragraph, that are carried out between any member of the Group, with Mr Gu Wen Long and/or his associates, including but not limited to, Golden Hope and/or Jinqiao Chemical and its subsidiaries and associated companies, as the case may be ("**Interested Persons**").



## HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Unaudited Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2016

The Mandated Transactions covered by the Shareholders' Mandate are: a) provision of petrochemical storage services and land transport services by the Group to the Interested Persons; and/or b) receiving financing support in the form of borrowing of funds from the Interested Persons. Transactions which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist.

### Guarantees provided for the Group Companies:

The **Chairman** and his spouse, Ms Sun Fang, have provided personal guarantees for some of the bank loans the Group has obtained. Please refer to section 1(b)(ii) for more details on the secured borrowings.

#### 14. Confirmation By The Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that to the best of the knowledge of the Directors of the Company, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for 1Q2016 to be false or misleading in any material aspect.

#### 15. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Catalist Rules.

#### 16. Updates to the Industrial Fire Happened on 22 April 2016 ("Accident")

Reference is made to the Company's announcement released on 25 April 2016 entitled "Industrial Accident at Deqiao Facility". As at the date of this announcement, the cause of the Accident is still being investigated by the government led team and no conclusion is released officially. Operations of the Deqiao Facility are still suspended. The Company is not able to quantify the losses caused by the Accident at this point in time. Accordingly, this 1Q2016 results announcement did not include any adverse effects arising from the Accident. The Board and the Management are currently working actively to come up with new strategies to enable the Group to recover as soon as practicable from the Accident.

MR. GU WEN LONG  
Chairman and Chief Executive Officer

MR. DIONG TAI PEW  
Lead Independent Director (AC Chairman)

### BY ORDER OF THE BOARD

GU WEN LONG  
Chairman and Chief Executive Officer

15 May 2016

*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 Singapore Exchange Securities Trading Limited ("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.*