



HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016 ("FY2016")

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		
	FY2016 RMB'000	FY2015 RMB'000	% (+/-)
Revenue	137,516	212,359	(35.2)
Cost of sales	(119,731)	(167,173)	(28.4)
Gross profit	17,785	45,186	(60.6)
Other income	6,923	2,463	181.1
Administrative expenses	(102,837)	(50,128)	105.1
Finance costs	(16,451)	(5,211)	215.7
Profit/(loss) before income tax	(94,580)	(7,690)	nm*
Income tax expense	(6,874)	(5,720)	20.2
Net profit/(loss) for the period	(101,454)	(13,410)	nm
Profit/(Loss) attributable to:			
Owners of the parent	(67,801)	(10,423)	nm
Non-controlling interests	(33,653)	(2,987)	nm
	(101,454)	(13,410)	nm
Total comprehensive income/(loss) attributable to:			
Owners of the parent	(67,801)	(10,423)	nm
Non-controlling interests	(33,653)	(2,987)	nm
	(101,454)	(13,410)	nm

* nm denotes not meaningful

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

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

	FY2016 RMB'000	FY2015 RMB'000	% (+/-)
Depreciation and amortisation	40,812	27,343	49.3
Foreign exchange loss/(gain), net	13	448	(97.1)
Interest income	(364)	(122)	198.4
Other income	(6,858)	(2,341)	193.0
Interest expenses	16,451	5,211	215.7
Loss/(Gain) on disposal of plant and equipment	299	(2)	nm
Write off of plant and equipment	11,072	7,629	45.1

* nm denotes not meaningful

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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	
	31.12.2016 RMB'000	31.12.2015 RMB'000	31.12.2016 RMB'000	31.12.2015 RMB'000
Non-current assets				
Property, plant and equipment	1,438,569	1,466,558	11	22
Land use rights	257,330	263,187	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,695,899	1,729,745	267,483	267,494
Current assets				
Trade and other receivables	56,598	61,000	-	52
Amount owing by related parties	2,046	4,177	-	-
Amount owing by subsidiaries	-	-	769	291
Current income tax recoverable	-	172	-	-
Cash and cash equivalents	10,949	49,017	43	1,220
	69,593	114,366	812	1,563
Less:				
Current liabilities				
Trade and other payables	283,270	294,312	3,252	1,006
Amount owing to related parties	62,215	62,410	-	-
Amount owing to directors	13,133	10,971	2,509	1,370
Amount owing to a subsidiary	-	-	16,799	16,056
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank and other borrowings	416,180	171,200	-	-
Current income tax payable	6,141	1,855	-	-
	785,441	545,250	22,560	18,432
Net current liabilities	(715,848)	(430,884)	(21,748)	(16,869)
Less:				
Non-current liabilities				
Amount owing to a related party	93,050	93,050	-	-
Amount owing to a director	11,143	11,143	-	-
Bank borrowings	323,460	542,110	-	-
Deferred tax liabilities	18,418	16,899	-	-
	446,071	663,202	-	-
Net assets	533,980	635,659	245,735	250,625
Equity				
Share capital	289,064	289,064	289,064	289,064
Statutory common reserve	14,935	14,922	-	-
Foreign currency translation account	(270)	(270)	-	-
Other reserve	84,113	84,113	-	-
Retained earnings/(Accumulated losses)	(50,222)	17,592	(43,329)	(38,439)
Equity attributable to owners of the parent	337,620	405,421	245,735	250,625
Non-controlling interests	196,360	230,238	-	-
Total equity	533,980	635,659	245,735	250,625

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

RMB'000	As at 31 December 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year ⁽¹⁾	416,180	79,850	496,030	171,200	71,813	243,013
Repayable after one year	336,960	90,693	427,653	555,610	90,693	646,303
Total	753,140	170,543	923,683	726,810	162,506	889,316

Note 1 Reconciliation:

RMB'000	As at 31 December 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year						
Per Group's statement of financial position	416,180	79,850	496,030	171,200	77,883	249,083
Non-borrowing liabilities	-	-	-	-	(6,070)	(6,070)
Total	416,180	79,850	496,030	171,200	71,813	243,013

Unsecured Borrowings:

As at 31 December 2016, the Group's unsecured borrowings which were repayable within one year amounted to RMB79.9 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 RMB13.1 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB2.1 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 RMB11.0 million.
- 3) An amount of RMB26.8 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 RMB1.8 million.
- 4) A total amount of RMB35.5 million short-term payables due to a related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") comprising a) RMB12.3 million of the accrued interest on loans of RMB93.1 million (refer to paragraph 6 for more information); and b) non-interest bearing loan of RMB23.2 million to partially fund Deqiao, Wuhan and Yueyang facilities.

As at 31 December 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, another supplementary agreement was signed to further 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 ("**PBC**").
- 6) An amount of RMB93.1 million owing to **Jinqiao Chemical** for partial funding of the 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, another supplementary agreement was signed to further 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 PBC. 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**").

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 RMB16.0 million as at 31 December 2016.

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Secured Borrowings

As at 31 December 2016, the Group's secured borrowings amounted to RMB753.1 million comprising an amount of RMB13.5 million owing to **Jinqiao Chemical** (described in note 6 of the unsecured borrowings) and an amount of RMB685.5 million bank loans as stated below:

(RMB' million)	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G	Loan H	Loan I	Total
Nature	Construction loan					Working capital loan	Working capital loan	Working capital loan	Working capital loan	
Loan facilities granted	400.0	150.0	427.0	100.0	120.0	40.0	38.0	20.0	80.0	1,375.0
Loan amount drawn down	400.0	150.0	230.0	71.6	100.0	40.0	38.0	20.0	54.1	1,103.7
Amounts repaid	(140.0)	(143.1)	(52.0)	(6.0)	(21.0)	(2.0)	-	-	0.0	(364.1)
Outstanding amounts	260.0	6.9	178.0	65.6	79.0	38.0	38.0	20.0	54.1	739.6
- Repayable within one year	80.0	-	178.0	27.0	3.0	16.0	38.0	20.0	54.1	416.1
- Repayable after one year	180.0	6.9	-	38.6	76.0	22.0	-	-	-	323.5

- 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 RMB65.1 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB219.1 million) owned by the Company's subsidiaries, **Jingjiang Shuangjiang** and **Jiangsu Deqiao Storage Co., Ltd. ("Jiangsu Deqiao")**.
- 2) Bank 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 RMB336.2 million) of **Wuhan Hengyang Chemical Logistics Co., Ltd ("Wuhan Hengyang")**.
- 3) Bank loan C from the China Minsheng Banking Corp. Ltd., is repayable progressively from June 2014 to February 2019. The Group missed certain installment repayment in 2016 as stipulated in the agreement. The bank has not pressed for repayment. However, in the absence of a written deferment repayment agreement, the non-current amount of RMB103.25 million has been reclassified as current liabilities in accordance with FRS 1. The loan 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 RMB470.0 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 2021, 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 RMB212.7 million) of **Yueyang Hengyang Petrochemical Logistics Co., Ltd ("Yueyang Hengyang")**.
- 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 (total carrying value of RMB36.0 million) of **Yueyang Hengyang** and its coastline use rights.

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- 7) Bank loan G from the Jiangyin Rural Commercial Bank, repayable in August 2017, is secured by mortgages against the land use rights (total carrying value of RMB16.8 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 **Jiangyin Foreversun**.
- 9) Loan I from CITIC Port Investment Co. Ltd., repayable in May 2017, is secured by mortgages against the tank facilities (total carrying value of RMB16.9 million) of Jiangyin Foreversun, second mortgages against the Property Plant and Equipment of Jiangyin Foreversun, Deqiao, Shuangjiang, Wuhan, Yueyang and Chongqing, pledge of equity investment in subsidiaries and personal guarantees furnished by the **Chairman** and his spouse.

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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	
	FY2016 RMB'000	FY2015 RMB'000
Operating activities		
Profit/(loss) before income tax	(94,580)	(7,690)
Adjustments for:		
Depreciation of property, plant and equipment	39,675	26,206
Amortisation for land use rights	1,137	1,137
Loss /(Gain) on disposal	299	(2)
Write off of plant and equipment	11,072	7,629
Interest income	(364)	(122)
Interest expense	16,451	5,211
Unrealised foreign exchange loss (gain), net	-	499
Operating cash flows before working capital changes	(26,310)	32,868
Working capital changes:		
Trade and other receivables (including related parties)	6,532	(9,496)
Trade and other payables	(2,824)	11,981
Cash generated from operations	(22,602)	35,353
Interest paid	(12,966)	(1,163)
Income tax paid	(897)	(3,881)
Net cash generated from operating activities	(36,465)	30,309
Investing activities		
Acquisition of property, plant and equipment	(8,695)	(42,383)
Refund of downpayment	30,000	-
Proceeds from disposal of property, plant and equipment	214	40
Interest paid and capitalised	(42,407)	(49,461)
Interest received	364	179
Net cash used in investing activities	(20,524)	(91,625)
Financing activities		
Proceeds from issue of ordinary shares by a subsidiary to a non-controlling shareholder	-	3,800
Proceeds from bank and other borrowings	112,107	263,000
Repayment of bank borrowings	(85,778)	(281,850)
Fixed deposits pledged in financial institutions	41,726	(38,806)
Amount owing to related parties	(7,183)	31,670
Dividends paid to non-controlling interests	(225)	-
Amount owing to a director	-	8,870
Net cash from/(used in) financing activities	60,647	(13,316)
Net change in cash and cash equivalents	3,658	(74,632)
Cash and cash equivalents at beginning of the period ⁽¹⁾	7,291	82,406
Effect of exchange rate changes on cash and cash equivalents	-	(483)
Cash and cash equivalents at end of the period ⁽¹⁾	10,949	7,291

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Note:

1) Reconciliation:

	Group	
	As at 31 December 2016 RMB'000	As at 31 Dec 2015 RMB'000
Cash and cash equivalents per consolidated statement of financial position	10,949	49,017
Restricted cash in bank	-	(41,726)
Cash and cash equivalents per consolidated statement of cash flows	10,949	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.

Company (RMB'000)	Share capital	Accumulated losses	Total equity
(Unaudited)			
Balance as at 1 January 2016	289,064	(38,439)	250,625
Loss for the financial year	-	(4,890)	(4,890)
Balance as at 31 December 2016	289,064	(43,329)	245,735

Company	Share Capital	Accumulated losses	Total Equity
	RMB'000	RMB'000	RMB'000
(Audited)			
Balance as at 1 January 2015	289,064	(34,328)	254,736
Loss for the financial year	-	(4,111)	(4,111)
Balance as at 31 December 2015	289,064	(38,439)	250,625

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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		
(Unaudited)								
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 financial year	-	-	-	-	(67,801)	(67,801)	(33,653)	(101,454)
Loss for the financial year	-	-	-	-	(67,801)	(67,801)	(33,653)	(101,454)
Others	-	13	-	-	(13)	-	(225)	(225)
Transfer to statutory common reserve	-	13	-	-	(13)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(225)	(225)
Balance as at 31 December 2016	289,064	14,935	(270)	84,113	(50,222)	337,620	196,360	533,980
(Audited)								
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 financial year	-	-	-	-	(10,423)	(10,423)	(2,987)	(13,410)
Loss for the financial year	-	-	-	-	(10,423)	(10,423)	(2,987)	(13,410)
Changes in ownership interests in a subsidiary	-	-	-	1,109	4	1,113	2,687	3,800
Dilution of interest in a subsidiary	-	-	-	1,109	4	1,113	(1,113)	-
Capital injection by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	3,800	3,800
Others	-	1,396	-	-	(1,396)	-	-	-
Transfer to statutory common reserve	-	1,396	-	-	(1,396)	-	-	-
Balance as at 31 December 2015	289,064	14,922	(270)	84,113	17,592	405,421	230,238	635,659

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- 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 30 September 2016.

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.**

	31.12.2016	31.12.2015
Total number of issued shares (excluding treasury shares)	<u>203,461,883</u>	<u>203,461,883</u>

- 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.

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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	
	FY2016	FY2015
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	(33.32)	(5.12)
(b) Diluted EPS (RMB cents)	(33.32)	(5.12)

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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net asset value per ordinary share (RMB cents)	165.9	199.3	120.8	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 FY2016 compared to FY2015**Revenue**

The Group's revenue decreased by 35.2% or RMB74.8 million from RMB212.3 million in FY2015 to RMB137.5 million in FY2016.

This was mainly due to lower transportation service revenue.

Revenue from the transportation services declined by RMB68.1 million as the major customer significantly reduced output due to the increased price competition.

The revenue from the storage service segment decreased by RMB5.8 million and the decrease was due to:

- (a) a RMB16.0 million decrease in revenue from Jiangsu Deqiao arising from suspension of operations since 22 April 2016; and

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- (b) RMB3.1 million decrease in revenue contribution from Jiangyin Hengyang due to the low throughput arising from low demand.

The decrease was offset by new sources of revenue arising from:

- (a) Yueyang Hengyang Chemical Logistics Co. Ltd. (“**Yueyang Hengyang**”) which commenced operations and recorded RMB7.4 million revenue (as compared to RMB4.2 million revenue of FY2015 net off in construction-in-progress during trial operations); and
- (a) Chongqing New Hengyang Chemical logistics Co. Ltd. (“**Chongqing Hengyang**”) which commenced operations and recorded RMB5.9 million revenue (as compared to RMB3.2 million of FY2015 net off in construction-in-progress during trial operations).

Cost of sales

The Group's cost of sales decreased by 28.4% or RMB47.5 million from RMB167.2 million in FY2015 to RMB119.7 million in FY2016.

Transportation: The decrease in cost of sales was mainly due to the decrease of RMB67.7 million from the Group's transportation services segment in line with the lower revenue.

Storage: On the other hand, the RMB20.2 million increase in cost of sales was mainly due to the following:

- (a) maiden depreciation charge in Yueyang (RMB12.6 million) and Chongqing (RMB0.9 million).
- (b) RMB5.5 million maiden operating costs in Yueyang and Chongqing.
- (c) RMB3.9 million expenses incurred in cleaning Deqiao facility following the fire on 22 April 2016.
- (d) RMB1.0 million safety improvement costs in Deqiao facility

The above increase of Storage cost of sales was partially offset by a RMB2.8 million decrease of energy cost due to the Deqiao's suspension.

Gross profit

As a result of the above, the Group's gross profit decreased by 60.6% or RMB27.4 million from RMB45.2 million in FY2015 to RMB17.8 million in FY2016.

	Storage		Transportation		Elimination		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	77,680	83,456	61,093	129,175	(1,257)	(272)	137,516	212,359
Cost of Sales	(74,379)	(54,227)	(53,007)	(120,284)	7,655	7,338	(119,731)	(167,173)
Gross Profit	3,301	29,229	8,086	8,891	6,398	7,066	17,785	45,186
Gross profit margin	4.2%	35.0%	13.2%	6.9%			12.9%	21.3%

The overall gross profit margin decreased to 12.9% in FY2016 as compared to 21.3% in FY2015 arising mainly from the suspension of operations and expense arising from the Accident at Jiangsu Deqiao as well as Yueyang maiden operations (where revenue is insufficient to cover fixed overhead).

Other operating income

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The Group's other operating income amounted to the RMB6.9 million in FY2016 and comprised RMB0.4 million interest income, RMB0.9 million scrap material sales from Deqiao, RMB1.8 million subsidy from the Government for logistics companies, RMB3.0 million government incentive and RMB0.3 million tax refund from Chongqing Hengyang, and RMB0.5 million miscellaneous income.

The Group's other operating income amounted to RMB2.5 million in FY2015 and comprised mainly railway management fee of RMB0.8 million, service charges of RMB0.5 million received from the local Port Authority for collecting port fees from common clients on behalf of the Authority, subsidies of RMB0.5 million received from the Government for logistics companies, rebate of value added tax ("VAT") and other incentives of RMB0.3 million received from the local Government and interest income of RMB0.1 million.

Administrative expenses

The Group's administrative expenses increased by 105.1% or RMB52.7 million from RMB50.1 million in FY2015 to RMB102.8 million in FY2016. This was mainly due to:

- (a) RMB36.8 million compensation of customers' goods loss due to Deqiao accident.
- (b) RMB11.1 million written off of Property, Plant and Equipment due to Deqiao accident.
- (c) RMB9.6 million for the treatment of polluted water due to Deqiao accident.
- (d) RMB1.0 million for government penalty and fines.

The above increases were partially offset by cost reduction of RMB5.8 million from Deqiao due to the suspension of business.

Finance costs

The Group's finance costs increased by RMB11.2 million from RMB5.2 million in FY2015 to RMB16.4 million in FY2016. The finance costs for FY2016 comprised interest for the working capital loan and related party loan amounting to RMB6.1 million and RMB10.3 million interest cost for Chongqing and Yueyang's bank construction loan. In FY2015, the Chongqing and Yueyang's bank loan interest was capitalised. The finance costs for FY2015 comprised interest for the working capital loan of RMB1.2 million and interest amounted RMB4.0 million for the related party loan, which terms had been revised to interest bearing with effect from 1 January 2015.

Income tax expense

The Group's income tax expense increased by 20.2% or RMB1.2 million from RMB5.7 million in FY2015 to RMB6.9 million in FY2016. The increase was mainly due to RMB3.9 million income taxes from Wuhan operation and this was partially offset by a RMB1.7 million decrease of income taxes from Jiangyin storage facility and Transportation due to the lower profit.

Net loss

As a result of the above, the Group recorded a net loss of RMB101.5 million in FY2016 as compared a net loss of RMB13.4 million in FY2015.

The net loss attributable to owners of the parent was at RMB67.8 million in FY2016 as compared RMB10.4 million in FY2015.

Statement of financial position of the Group as at 31 December 2016

Non-current assets

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As at 31 December 2016, the Group's non-current assets amounted to RMB1.7 billion, and accounted for 96.1% of the Group's total assets.

	31.12.2016	31.12.2015
	RMB'000	RMB'000
Construction in-progress	898,913	892,943
Land use rights	257,330	263,187
Tank facilities	266,409	285,245
Buildings on leasehold land	110,590	113,043
Jetties	110,055	113,968
Electronic system and equipment	45,235	54,398
Furniture and fixture	317	168
Motor vehicles	7,050	6,793
	1,695,899	1,729,745

The decrease of RMB33.8 million in FY2016 was mainly due to the depreciation and amortisation charged, written off of property, plant and equipment due to Deqiao accident and return of down payment for the purchase of land use rights in Chongqing, offset by additional expenditure incurred and capitalisation of interest for the construction of development projects.

Current assets

As at 31 December 2016, the Group's current assets amounted to RMB69.6 million comprising trade and other receivables, amount owing by related parties, current income tax recoverable and cash and cash equivalents, and accounted for 3.9% of its total assets.

As at 31 December 2016, a total of RMB56.6 million in trade and other receivables were recorded, of which,

- (a) RMB20.2 million was trade receivables and other receivables from third party customers;
- (b) RMB0.5 million was note receivables from financial institutions;
- (c) RMB18.5 million was deductible VAT; and
- (d) RMB17.4 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 decrease of the trade and other receivables was mainly to lower revenue and faster collections.

As at 31 December 2016, the amounts owing by related parties amounted to RMB2.0 million representing trade receivables for the provision of petrochemical storage and transportation services.

The Group's cash and cash equivalents were denominated in RMB, SGD and USD. The Group's cash and cash equivalents as at 31 December 2016 stood at RMB10.9 million, a decrease of RMB38.1 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 December 2016, the Group's current liabilities amounted to RMB785.4 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 63.8% of its total liabilities.

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As at 31 December 2016, a total of RMB283.3 million trade and other payables were recorded. This mainly comprised:

- (a) RMB262.4 million due to contractors and government authorities in relation to the various construction projects, of which an amount of RMB86.5 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) RMB20.9 million of trade payables which included RMB6.4 million payable to third-party transport companies for leasing of tank trucks.

The Group's trade and other payables as at 31 December 2016 decreased by RMB11.0 million as compared to that of 31 December 2015. This was mainly due to most of the plants under construction having completed their construction therefore less invoices billed during the current year.

As at 31 December 2016, the Group had a total of RMB79.9 million short-term unsecured borrowings. This comprised:

- (a) RMB4.5 million owing to a former shareholder of a subsidiary;
- (b) RMB13.1 million due to the **Chairman**;
- (c) RMB26.8 million due to its related party **Wuhan Kangyang**; and
- (d) RMB35.5 million due to its related party **Jinqiao Chemical**.

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

The Group's short-term bank borrowings as at 31 December 2016 amounted to RMB411.2 million which were the short-term working capital loan of RMB38.0 million for its transportation segment and the current portion of the various construction loans as disclosed in section 1(b)(ii), secured borrowings.

As at 31 December 2016, the Group had RMB6.1 million in current income tax payable.

Non-current liabilities

As at 31 December 2016, the Group's non-current liabilities amounted to RMB446.1 million, made up 36.2% of its total liabilities, and comprising:

- (a) RMB323.5 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB416.2 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) RMB18.4 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 December 2016, the Group had an amount of RMB18.4 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

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As at 31 December 2016, the Group's equity attributable to owners of the parent was RMB337.6 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 comprising RMB83.0 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 RMB1.1 million arising from dilution of interest in a subsidiary, Jiangyin Golden Bridge Transportation Co., Ltd. ("**Golden Bridge**") as a result of the new shares issued by **Golden Bridge** to a non-controlling shareholder in FY2015 ; and
- (e) accumulated loss of RMB50.2 million.

As at 31 December 2016, the Group' non-controlling interests was RMB196.4 million, comprising mainly **MEGCIF5**'s 35% interest in the Group's subsidiary, **HHPL**.

Working capital

As at 31 December 2016, the Group was in a net current liabilities position of RMB715.8 million as compared to net current liabilities of RMB430.9 million as at 31 December 2015.

Excluding (a) the RMB86.5 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 RMB9.6 million due to its Chairman which is repayable only when the Group's internal resources permit; (c) the RMB62.4 million due to its related parties, which the related parties are willing to give the Group financial support, and (d) re-classification of RMB103.3 million of non-current bank borrowings to current liabilities in relation to China Minsheng Banking Corp. Ltd., the Group's net working capital deficit was RMB454.0 million as at 31 December 2016.

Statement of Cash flows of the Group for FY2016

As at 31 December 2016, the Group recorded cash and cash equivalents of RMB10.9 million as compared to RMB49.0 million as at 31 December 2015.

Net cash used in operating activities for FY2016, after meeting working capital requirements and paying income tax and interest expenses, were RMB36.5 million for FY2016.

Net cash generated in financing activities for the FY2016 amounted to RMB60.6 million, was the net effect of additional bank loan drawdowns of RMB112.1 million, refund of restricted deposit with bank of RMB41.7 million, payment made to the related parties of RMB7.2 million, dividends paid to non-controlling interests of RMB0.2 million and bank loan repayments of RMB85.8 million.

Net cash used in investing activities for the FY2016, amounted to RMB20.5 million, was mainly for the Group's construction projects and paying the bank loan interest offset by a refund of RMB30 million down payment of Land Use Rights in Chongqing project.

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

The Group has not issued any forecast. There has been no significant variance in the business environment in which the Group operated.

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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.

The Chinese economy expanded by 6.7% in 2016¹, lower than the 6.9% in 2015 and the slowest in 26 years but within the government's target range of 6.5% to 7%. Market condition remains challenging in view of the present weaker economy amidst less than favourable global economic conditions and geopolitical uncertainty.

Operations in Deqiao facility had been suspended since 22 April 2016.

Hence, the Group performance will continue to be significantly and adversely affected going forward.

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 FY2016.

(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 FY2015.

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

No dividend has been declared for FY2016.

¹ <http://data.stats.gov.cn/easyquery.htm?cn=B01>

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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) ⁽⁵⁾	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	-	9,302
· Shanghai Kangyang(2)	-	431
· Golden Hope(3)	-	185
Intereste expense charged		
· Jinqiao Chemical	-	5,264
· Wuhan Kangyang(2)	-	1,725
Gu Wenlong		529

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**").

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 Catalyst.

Guarantees provided for the Group Companies:

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

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PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

14 (a)(i) Business segments

	Service		Transportation		Development stage		Others		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	77,680	83,456	61,093	129,175	-	-	-	-	(1,257)	(272)	137,516	212,359
Segment results	(82,020)	(4,949)	5,109	5,683	(2,772)	(5,213)	(4,778)	(6,087)	5,968	7,065	(78,493)	(3,501)
Interest income	362	25	1	48	-	-	866	684	(865)	(635)	364	122
Finance costs	(13,799)	(4,048)	(2,652)	(1,163)	-	-	-	-	-	-	(16,451)	(5,211)
Operating (loss)/profit	(95,457)	(8,072)	2,458	4,568	(2,772)	(5,213)	(3,912)	(5,403)	5,103	6,430	(94,580)	(8,590)
Income tax expense	(2,273)	(3,423)	(662)	(1,234)	(3,937)	(1,041)	(2)	(22)	-	-	(6,874)	(5,720)
Net (loss)/profit for the financial year	(97,730)	(11,495)	1,796	3,334	(6,709)	(6,254)	(3,914)	(5,425)	5,103	6,430	(101,454)	(14,310)
Segment assets	2,183,667	1,215,927	85,020	72,302	530,015	988,743	1,045,206	927,894	(2,078,416)	(1,360,927)	1,765,492	1,843,939
Segment liability	1,142,980	771,340	60,858	49,704	419,237	703,157	140,254	19,031	(556,376)	(353,534)	1,206,953	1,189,698
Other information												
Capital expenditure	9,045	16,634	36	377	(2,548)	54,628	-	-	5,533	6,430	12,066	78,069
Depreciation of property, plant and equipment	37,575	24,346	1,816	1,289	273	557	11	14	-	-	39,675	26,206
Amortisation charge of land use rights	1,137	1,137	-	-	-	-	-	-	-	-	1,137	1,137

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Reconciliation of reportable segment's liabilities to total liabilities:

	31.12.2016	31.12.2015
	RMB'000	RMB'000
Segment liabilities	1,206,953	1,189,698
Deferred tax liabilities	18,418	16,899
Current income tax payables	6,141	1,855
Total liabilities	1,231,512	1,208,452

14 (a)(ii) Geographical segments

As the business of the Group is engaged entirely in the People's Republic of China, no reporting by geographical segments is presented.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

The Group is a petrochemical logistics provider, principally engaged in the storage and transportation of liquid petrochemical products.

In FY2016, revenue from petrochemical storage services and land transportation services contributed 56.0% and 44.0% respectively to the Group's revenue.

In FY2015, revenue from petrochemical storage services and land transportation services contributed 39.2% and 60.8% respectively to the Group's revenue.

Please refer to paragraph 8 of this announcement for a detailed commentary of the Group's financial performance in FY2016 compared to FY2015.

16. A breakdown of sales of the Group as follows:

	FY2016	FY2015	Increase/ (Decrease)
	RMB'000	RMB'000	%
(a) Sales reported for first half year	80,409	101,471	(20.8)
(b) Loss after tax reported for second half year	(9,952)	(9,108)	9.3
(c) Sales reported for second half year	57,107	110,888	(48.5)
(d) Loss after tax reported for second half year	(91,502)	(4,302)	nm

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

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- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family Relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Gu Fan	26	Daughter of Mr. Gu Wenlong, who is the executive chairman and CEO of the Company. Mr. Gu is also a controlling shareholder of the Company.	Investment & Development Manager since 1 March 2017. Ms. Gu Fan is responsible for facilitating the communication among the board members, investors and key management team; assisting with the Company's operations in Singapore; developing the Group's ASEAN clientele and overall ASEAN business development.	Ms. Gu Fan previously held position of senior executive of Investment & Development. She was promoted to become the Investment & Development Manager with effect from <u>1 March 2017</u> after careful deliberation among members of Nominating Committee and Remuneration committee.

19. Updates to the Industrial Fire Which 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". On 4 November 2016, a further announcement entitled "Update on the Industrial Accident at Deqiao Facility" was made to inform that the Taizhou City Government (being the governmental authority leading the Investigation) had on 1 November released an Investigation report with respect to the Accident.

The Group had initiated claims on its financial losses arising from the Accident to the insurance company. The insurance company is assessing the various losses and it is expected the whole process will be completed by end of 2017. The Full Year 2016 results does not include any insurance compensation in view of the uncertainty of the quantum.

The Company has revamped its safety procedures and commenced the process to seek Government approval to re-start Deqiao operations.

The Board and the Management are still working actively to devise new strategies to enable the Group to recover as soon as practicable from the Accident and continue as a going concern as well as evaluating all options to meet the Group's financial obligations.

GU WEN LONG
Chairman and Chief Executive Officer

DIONG TAI PEW
Lead Independent Director (AC Chairman)

BY ORDER OF THE BOARD

GU WEN LONG
Chairman and Chief Executive Officer

1 March 2017

HENGYANG PETROCHEMICAL LOGISTICS LIMITED

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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 Singapore Exchange Securities Trading Limited ("SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. 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.

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