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HENGYANG PETROCHEMICAL LOGISTICS LIMITED

2018 Sustainability Report

CORPORATE PROFILE

Established in 2002, Hengyang Petrochemical Logistics Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is a leading logistics service provider in the petrochemical industry in China. The Group provides storage and land transportation services for different types of bulk liquid petrochemical and gases and oils such as acetic acid, phenol, acetone, styrene, methanol, mono ethylene glycol, propane, butane, butadiene, fuel oil and base oil. The Group's petrochemical storage business offers whole-tank leasing services for a fixed period of time (typically for one year) and spot leasing services for a period ranging from one month to three months.

ABOUT THIS REPORT

Sustainability has become a critical success factor for companies to ensure long-term value creation. As a responsible corporate citizen, we consider sustainability issues in conjunction with our corporate strategy. We are pleased to present the Group's inaugural annual Sustainability Report, for our financial year ended 31 December 2018. This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F on "Sustainability Reporting Guide" of the Singapore Exchange Securities Tading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.

BOARD STATEMENT

The key material environmental, social and governance ("**ESG**") factors for the Group have been identified and reviewed by the management of the Group and the board of directors of the Company (the "**Board**") supervises the management and monitoring of these factors and takes them into consideration when determining the Group's strategic direction and policies. Sustainability is a part of the Group's wider strategy to create long-term value for all its stakeholders.

REPORTING FRAMEWORK

We prepared our report with reference to the Global Reporting Initiatives ("**GRI**") Core Reporting Options, as well as the SGX Guide to Sustainability Reporting for Listed Companies. This report covers the 2018 financial year from 1 January to 31 December ("**FY2018**").

We have not sought external assurance for FY2018.

REPORTING SCOPE

This report will particularly focus on the material sustainability aspects of the Group.

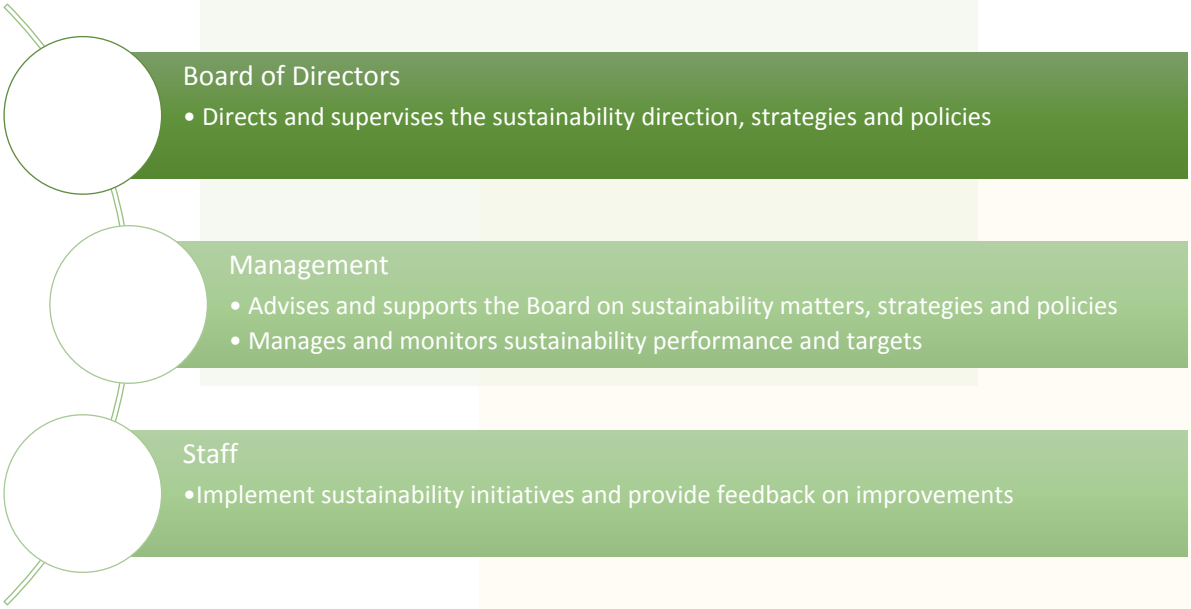
FEEDBACK

We are committed to listening to our stakeholders and we welcome your feedback on our sustainability efforts, as this enables us to improve our sustainability policies, systems and results. Please send your feedback to contact@hyplc.com. More information can be obtained from our website at www.hyplc.com.

SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability is integral in our organisation's culture and is a vital part of our corporate strategy for achieving long-term growth. The Group's governance structure supports and drives the sustainable development journey. We are guided by our code of conduct and ethics established to promote healthy corporate culture, ethical business practices and sustainability.

The sustainability governance is led by the Board of Directors and supported by all levels of the Group.



STAKEHOLDER ENGAGEMENT

The Group's key stakeholders include, but are not limited to, suppliers, customers, employees, shareholders, regulators and community. We adopt both formal and informal channels of communication to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

An overview of our approach is summarised in the table below:

Stakeholder	Topics of Concern	Mode of engagement
Suppliers	• Regular business • Compliance with terms and conditions of purchasing policies and procedures • Maintenance of ethical standards	• Request for proposal and quotation • Suppliers agreements • Suppliers evaluation • Email / phone call communication
Customers	• Product quality • Code of conduct	• Meetings • Email / phone call communication

Employees	• Staff rights and welfare • Personal development • Safety and security • Good working environment	• Training programme on safety standards and procedures, as well as on health and hygiene standards • Open communication through multiple channels • External training • Staff appraisal
Shareholders	• Corporate governance • Timely information • Economic performance	• Annual report • Annual general meeting • SGX announcements • Company website
Regulators	• Compliance with applicable rules and regulations	• Regulators Publication/ written communication
Community	• Responsible business operations • Support for social causes • Societal concerns	• Sustainability report • CSR initiatives

MATERIALITY ASSESSMENT

At Hengyang, we do not only focus on profitability, but also on conducting our business in a socially responsible manner. At the heart of everything we do is our commitment to our people, our environment, and our community.

After assessing ESG related business risks and opportunities and ESG related issues, we have identified the following ESG factors to be the most material to us this year: our people, our environment, our community, economic performance and corporate governance.

Our People

We believe in investing in recruiting, training and retaining good employees. We have made every effort to create a working culture and environment that inspires our people to stay with us. We have adopted sound human resource policies and practices in our workplace by providing safe working conditions, rewarding and recognising performance, encouraging teamwork and work-life balance, and offering career growth opportunities and a conducive workplace.

Hengyang is also committed to ensuring the safety and security, as well as the health and well-being of our people. We have in place a training programme for our people on safety standards and procedures, as well as on health and hygiene standards at the workplace.

Both Jiangyin Foreversun and Jiangsu Deqiao hold the Occupational Health and Safety Management System Certificate issued by the China Quality Certification Centre.

We treat all employees fairly, with respect and dignity, regardless of nationality, gender, age, race or religion. The hiring procedures are fair and non-discriminative. Staff are hired on the basis of merit, skills, experience or competency to perform the job.

The Group ensures compliance with labour and employment laws, including working hours and believes in good work-life balance for our employees.

Code of Work Ethics

All employees are expected to uphold and ensure that they do not engage in any interest that conflicts with any of the Company's businesses.

Our Environment

Being in the petrochemical industry, Health, Safety, and Environment ("HSE") standards are of utmost importance to us. Hengyang has a long-standing HSE commitment to the highest standards for the health and safety of our people and customers, as well as for the protection of the environment in the communities which we live and work.

We have obtained all the environmental permits and approvals necessary to conduct our business, such as the pollutant discharge permit and the operating permit for loading and unloading of the dangerous chemicals. We also comply with all applicable environmental laws and have not breached any applicable laws or regulations since our incorporation. In order to ensure continued compliance with the relevant environmental laws and regulations, we have appointed specialised personnel to oversee environmental protection related matters within our Group.

Apart from complying with all the relevant environmental laws and regulations, we have gone a step further in order to minimise our impact on the environment by undertaking a wide range of self-initiated measures to build a greener future. For instance, we install fireproofing walls between the maintenance room and the sewage treatment plant; we build the storage shed for solid waste and temporary shed for barrels; we have also installed gas recovery system at the loading stations.

In addition, our companies have been awarded the following accreditations and commendations:

- In 2018, Jiangyin Foreversun was recognised for its excellent HSE management by the CNOOC and Shell Petrochemicals Company Limited.
- In January 2018, Yueyang Hengyang was appraised as the "Four Best Enterprise" by the Logistics Industry of Yueyang City.
- In March 2018, Wuhan Hengyang was awarded the Excellent Enterprise by the Chemical Industrial District of Wuhan City.
- In May 2018, Chongqing Hengyang was awarded the Integrity Prize by the Port Authority of Chongqing City.
- In September 2018, the Company was awarded the first prize of the Science and Technology Award by China Federation of Logistics and Purchasing.
- In September 2018, the Company was awarded the "Top 100 Enterprise of Petrochemical Logistics Industry" by China Federation of Logistics and Purchasing.
- In November 2018, the Company was awarded the Prize for Social Responsibility and Commitment by China Federation of Logistics and Purchasing.

- In December 2015, Jiangyin Foreversun has been accredited by China Quality Certification Centre for the Compliance with the Food Safety Management System standards – ISO 22000:2005 and GB/T 22000-2006.

- Both Jiangyin Foreversun and Jiangsu Deqiao hold the Environmental Management System Certificate issued by the China Quality Certification Centre for compliance with the standards ISO14001:2004 and GB/T 24001-2004, and have both successfully passed the annual audit for above standards during the past financial year.

- Jiangsu Deqiao and Jiangyin Foreversun have also obtained the Chemical Distribution Institute — Terminals ("CDI-T") attestation accredited by the Chemical Distribution Institute (London) in March 2015 and December 2015 respectively.

Our Community

Hengyang and its people embrace the philosophy of giving back to the community by encouraging proactive involvement in the Group's corporate social responsibility ("CSR") initiatives. We strive to be a responsible corporate neighbour and active contributor in our community.

In particular, we are a strong believer in quality education for all children. Accordingly, we have partnered with Jiangyin Charity and Jingjiang Charity, two non-profit voluntary welfare organisations, to support students from low income families and empower young learners to be successful, active citizens. In 2018, Hengyang also made a donation of RMB50,000 and RMB55,000 to the Jiangyin Charity and Jingjiang Charity respectively. The Group Chairman, Mr Gu was also awarded as "Charity Star" by the Jingjiang City People's Government in 2018.

Economic Performance

Economic performance is very important to a company's stakeholders particularly its investors or owners, because this performance eventually provides them with a return on their investment.

As a company listed on Catalist of SGX-ST, we publish a detailed annual report comprising our risk management, corporate governance, and financial performance. For detailed information, please refer to the financial statements in our 2018 Annual Report.

Corporate Governance

The Group strives to comply with the best practices of good governance, guided by the Singapore's Code of Corporate Governance 2012 (the "Code"), throughout its operations to safeguard the interests of all stakeholders. The Group recognises that good corporate governance processes are essential for enhancing corporate sustainability. Please refer to the Annual Report pages 17 to 37 on the details of the SGX Code of Corporate Governance.

Risk Management

As of the date of the 2018 Annual Report, the Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management of the Company (the "Management") reviews all significant control policies and procedures and highlights all significant matters to the Board and the Audit Committee (the "AC").

Whistle Blowing Policy

The Company has put in place a whistle-blowing framework endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

Dealings in Securities

In compliance with the relevant rules of the Catalist Rules, the Company has devised its own internal compliance code to provide guidance to its officers with regards to dealings in listed securities of the Company by the officer. Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in the possession of unpublished price-sensitive information.

The Company prohibits dealings in its shares by its officers and employees during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year, or one (1) month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

SUSTAINABILITY TARGETS

The Group has and will continue to conduct our business in a sustainable and socially responsible manner.

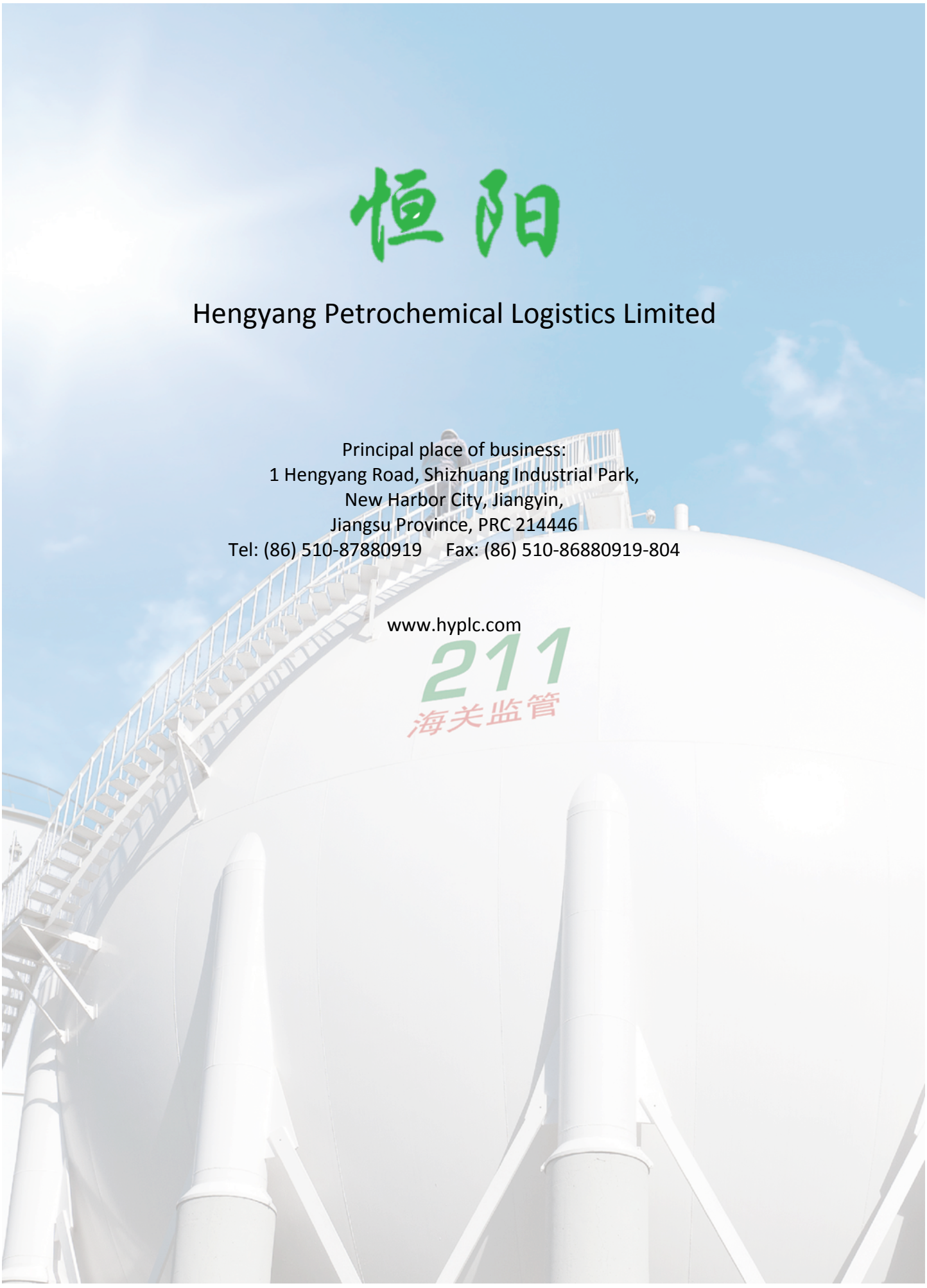
- Maintain average training hours per employee per year at 2 working day.
- Organise at least one health and wellness lunch talk or workshop every quarter.
- Name every June of the year as the Safety Month of the Group, and hold the relevant events in the Group, rolling out safety culture campaigns to advocate and educate employees and contractors on safety best practices.
- Develop a group-wide occupational health and safety policy.
- Provide training to all employees on policies and practices relating to ethics and anticorruption.
- Develop more strategic community investments programmes.

Going forward, the Group will continue to update targets to ensure alignment with our strategy.

*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 person for the Sponsor is Mr Yee Chia Hsing, Head, Catalist Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.



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