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 30 JUNE 2016 ("2Q2016" and "1H2016")

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			Group		
	2Q2016 RMB'000	2Q2015 RMB'000	% (+/-)	1H2016 RMB'000	1H2015 RMB'000	% (+/-)
Revenue	**32,002**	**53,756**	**(40.5)**	**80,409**	**101,471**	**(20.8)**
Cost of sales	(30,849)	(43,073)	(28.4)	(62,675)	(82,831)	(24.3)
Gross profit	**1,153**	**10,683**	**(89.2)**	**17,734**	**18,640**	**(4.9)**
Other income	757	534	41.8	1,161	855	35.8
Administrative expenses	(9,162)	(9,594)	(4.5)	(19,041)	(23,654)	(19.5)
Finance costs	(3,272)	(1,456)	124.7	(7,472)	(2,715)	175.2
Profit/(loss) before income tax	**(10,524)**	**167**	**(6,401.8)**	**(7,618)**	**(6,874)**	**10.8**
Income tax expense	(766)	(1,223)	(37.4)	(2,334)	(2,234)	4.5
Net profit/(loss) for the period [1]	**(11,290)**	**(1,056)**	**969.1**	**(9,952)**	**(9,108)**	**9.3**
Profit/(Loss) attributable to:						
Owners of the parent	(7,939)	(1,120)	nm	(7,735)	(6,626)	16.7
Non-controlling interests	(3,351)	64	nm	(2,217)	(2,482)	(10.7)
	(11,290)	(1,056)	nm	(9,952)	(9,108)	9.3
Total comprehensive income/(loss) attributable to:						
Owners of the parent	(7,939)	(1,120)	nm	(7,735)	(6,626)	16.7
Non-controlling interests	(3,351)	64	nm	(2,217)	(2,482)	(10.7)
	(11,290)	(1,056)	nm	(9,952)	(9,108)	9.3

1. Please refer to Para 10 & 15 for updates to the industrial fire happened on 22 April 2016

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:

	2Q2016 RMB'000	2Q2015 RMB'000	% (+/-)	1H2016 RMB'000	1H2015 RMB'000	% (+/-)
Depreciation and amortisation	10,254	6,777	51.3	20,471	13,528	51.3
Foreign exchange loss(gain), net	51	(1,978)	nm*	(169)	465	nm*
Interest income	(23)	(57)	(58.9)	(307)	(102)	201.0
Other income	(785)	(477)	64.6	(885)	(753)	17.5
Interest expenses	3,272	1,456	124.7	7,472	2,715	175.2
Loss/(Gain) on disposal of plant and equipment	27	24	12.5	30	24	25.0

* nm denotes not meaningful

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	
	30.6.2016 RMB'000	31.12.2015 RMB'000	30.6.2016 RMB'000	31.12.2015 RMB'000
Non-current assets				
Property, plant and equipment	1,471,604	1,466,558	17	22
Land use rights	260,258	263,187	-	-
Investments in subsidiaries	-	-	267,472	267,472
	1,731,862	1,729,745	267,489	267,494
Current assets				
Trade and other receivables	55,743	61,000	45	52
Amount owing by related parties	4,667	4,177	-	-
Amount owing by subsidiaries	-	-	164	291
Current income tax recoverable	-	172	-	-
Cash and cash equivalents	25,942	49,017	516	1,220
	86,352	114,366	725	1,563
Less:				
Current liabilities				
Trade and other payables	276,480	294,312	1,645	1,006
Amount owing to related parties	48,860	62,410	-	-
Amount owing to directors	11,075	10,971	2,002	1,370
Amount owing to a subsidiary	-	-	17,234	16,056
Amount owing to a former shareholder of a subsidiary	4,502	4,502	-	-
Bank borrowings	226,200	171,200	-	-
Current income tax payable	2,235	1,855	-	-
	569,352	545,250	20,881	18,432
Net current liabilities	(483,000)	(430,884)	(20,156)	(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	501,332	542,110	-	-
Deferred tax liabilities	17,630	16,899	-	-
	623,155	663,202	-	-
Net assets	625,707	635,659	247,333	250,625
Equity				
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)	9,857	17,592	(41,731)	(38,439)
Equity attributable to owners of the parent	397,686	405,421	247,333	250,625
Non-controlling interests	228,021	230,238	-	-
Total equity	625,707	635,659	247,333	250,625

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

RMB'000	As at 30 June 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Repayable within one year [1]	226,200	62,435	288,635	171,200	71,813	243,013
Repayable after one year	514,832	90,693	605,525	555,610	90,693	646,303
Total	741,032	153,128	894,160	726,810	162,506	889,316

Note (1) Reconciliation

Repayable within one year	As at 30 June 2016			As at 31 December 2015		
RMB'000	Secured	Unsecured	Total	Secured	Unsecured	Total
Per Group's statement of financial position	226,200	64,437	290,637	171,200	77,883	249,083
Non-borrowing liabilities	-	(2,002)	(2,002)	-	(6,070)	(6,070)
Total	226,200	62,435	288,635	171,200	71,813	243,013

Unsecured Borrowings:

As at 30 June 2016, the Group's unsecured borrowings which were repayable within one year amounted to RMB62.4 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 RMB9.1 million owing to Mr Gu Wen Long, the Company's chairman and CEO ("**Chairman**") comprising a) RMB1.2 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 RMB7.9 million.

3) An amount of RMB25.9 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 RMB0.9 million.

4) A total amount of RMB22.9 million short-term payables due to the Group's related party – Jiangyin Jinqiao Chemical Co., Ltd ("**Jinqiao Chemical**") which includes a) RMB10.7 million accrued interest on loans of RMB93.1 million (please refer to the paragraph below on non-current borrowings for more information) and b) non-interest bearing loan of RMB12.2 million.

As at 30 June 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**").
   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 30 June 2016.

Secured Borrowings

As at 30 June 2016, the Group's secured borrowings amounted to RMB741.0 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	
Loan facilities granted	400.0	150.0	427.0	100.0	120.0	40.0	38.0	20.0	1,295.0
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)	(51.9)	(6.0)	(20.0)	(1.0)	-	-	(322.0)
Outstanding amounts	300.0	6.9	178.1	65.6	80.0	39.0	38.0	20.0	727.5
- Repayable within one year	80.0	-	47.2	22.0	12.0	7.0	38.0	20.0	226.2
- Repayable after one year	220.0	6.9	130.9	43.6	68.0	32.0	-	-	501.3

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 RMB65.9 million) and property, plant and equipment ("PPE") excluding the phase II project (net carrying value of RMB224.7 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 RMB336.1 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 RMB471.3 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 RMB248.9 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 RMB36.7 million) 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 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 subsidiaries, **Wuhan Hengyang** and **Jiangyin Hengyang**. .

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		Group	
	2Q2016 RMB'000	2Q2015 RMB'000	1H2016 RMB'000	1H2015 RMB'000
Operating activities				
Profit/(loss) before income tax	(10,524)	167	(7,618)	(6,874)
Adjustments for:	-			
Depreciation of property, plant and equipment	9,970	6,511	19,903	12,995
Amortisation for land use rights	284	266	568	533
Loss/(Gain) on disposal of plant and equipment	27	24	30	24
Write off of plant and equipment	-	3,000	-	3,000
Interest income	(23)	(57)	(307)	(102)
Interest expense	3,272	1,456	7,472	2,715
Unrealised foreign exchange loss (gain), net	220		-	-
Operating cash flows before working capital changes	3,226	11,367	20,048	12,291
Working capital changes:				
Trade and other receivables (including related parties)	16,653	(10,495)	4,776	(18,323)
Trade and other payables	(2,410)	(682)	(1,642)	12,211
Cash generated from operations	17,469	190	23,182	6,179
Interest paid	(2,391)	(400)	(5,720)	(592)
Income tax paid	586	(1,304)	(1,011)	(2,405)
Net cash generated from operating activities	15,664	(1,514)	16,451	3,182
Investing activities				
Acquisition of property, plant and equipment	(11,360)	(9,318)	(21,743)	(60,054)
Proceeds from disposal of property, plant and equipment	-	32	-	32
Interest paid and capitalised	(7,143)	(6,477)	(15,234)	(12,441)
Interest received	(28)	123	256	160
Net cash used in investing activities	(18,531)	(15,640)	(36,721)	(72,303)
Financing activities				
Proceeds from bank borrowings	-	170,000	40,000	205,000
Repayment of bank borrowings	(14,028)	(203,750)	(25,778)	(205,850)
Fixed deposits pledged in financial institutions	-	43,935	21,725	(8,080)
Amount owing to related parties	5,648	(3,000)	(17,028)	-
Amount owing to a director	-	3,950	-	3,950
Net cash from/(used in) financing activities	(8,380)	11,135	18,919	(4,980)
Net change in cash and cash equivalents	(11,247)	(6,019)	(1,351)	(74,101)
Cash and cash equivalents at beginning of the period [1]	17,407	14,324	7,291	82,406
Effect of exchange rate changes on cash and cash equivalents	(220)		-	-
Cash and cash equivalents at end of the period [1]	5,940	8,305	5,940	8,305

1) Reconciliation:

	Group	
	As at 30 June 2016 RMB'000	As at 31 Dec 2015 RMB'000
Cash and cash equivalents per consolidated statement of financial position	25,942	49,017
Restricted cash in bank	(20,002)	(41,726)
Cash and cash equivalents per consolidated statement of cash flows	5,940	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 period	-	(1,684)	(1,684)
Balance as at 31 March 2016	**289,064**	**(40,123)**	**248,941**
Loss for the period	-	(1,608)	(1,608)
Balance as at 30 June 2016	**289,064**	**(41,731)**	**247,333**
(Unaudited)			
Balance as at 1 January 2015	**289,064**	**(34,328)**	**254,736**
Loss for the period	-	(741)	(741)
Balance as at 31 March 2015	**289,064**	**(35,069)**	**253,995**
Loss for the period	-	(1,179)	(1,179)
Balance as at 30 June 2015	**289,064**	**(36,248)**	**252,816**

Consolidated Statement of Changes in equity

	Attributable to owners of the company							
Group (RMB'000)	**Share capital**	**Statutory common reserve**	**Foreign currency translation account**	**Other reserve**	**Retained earnings**	**Equity attributable to owners of the parent**	**Non-controlling Interests**	**Total equity**
(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 period	-	-	-	-	204	204	1,134	1,338
Balance as at 31 March 2016	**289,064**	**14,922**	**(270)**	**84,113**	**17,796**	**405,625**	**231,372**	**636,997**
Total comprehensive income for the period	-	-	-	-	(7,939)	(7,939)	(3,351)	(11,290)
Balance as at 30 June 2016	**289,064**	**14,922**	**(270)**	**84,113**	**9,857**	**397,686**	**228,021**	**625,707**
(Unaudited)								
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)
Balance as at 31 March 2015	**289,064**	**13,526**	**(270)**	**83,004**	**23,901**	**409,225**	**227,992**	**637,217**
Total comprehensive income for the period	-	-	-	-	(1,120)	(1,120)	64	(1,056)
Balance as at 30 June 2015	**289,064**	**13,526**	**(270)**	**83,004**	**22,781**	**408,105**	**228,056**	**636,161**

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 March 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.

	30.06.2016	31.12.2015
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.

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.

	Group		Group	
Earnings per ordinary share:	2Q2016	2Q2015	1H2016	1H2015
Weighted average number of ordinary shares used in computation of basic EPS	203,461,883	203,461,883	203,461,883	203,461,883
(a) Basic EPS (RMB cents)	(3.90)	(0.55)	(3.80)	(3.26)
(b) Diluted EPS (RMB cents)	(3.90)	(0.55)	(3.80)	(3.26)

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	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Net asset value per ordinary share (RMB cents)	195.5	199.3	121.6	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 1H2016 compared to 1H2015

Revenue

The Group's revenue decreased by 20.8% or RMB21.1 million from RMB101.5 million in 1H2015 to RMB80.4 million in 1H2016.

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

The revenue from the transportation services reduced by RMB28.9 million because the major customer stopped production for overhaul maintenance during 2016 Chinese New Year period and significantly reduced its outputs thereafter due to the low market price.

The revenue from the storage service segment increased RMB7.8 million. The increase was mainly due to:

(a) RMB3.6 million in Jiangsu Deqiao Storage Co. Ltd. ("**Jiangsu Deqiao**") which is mainly from the oil products storage after Jiangsu Deqiao obtained the license to store gasline and diesel products. This was in spite of the suspended operations in Deqiao on 22 April 2016 as the increase in 1H2016 revenue from maiden oil product storage as well other chemical storage more than offset the decrease in 2Q2016.

(b) Yueyang Hengyang Chemical Logistics Co. Ltd. ("**Yueyang Hengyang**") commenced operations and recorded RMB2.4 million revenue (as compared to RMB2.2 million revenue of 1H2015 net off in construction-in-progress during trial operations) ;

(c) Chongqing New Hengyang Chemical logistics Co. Ltd. ("**Chongqing Hengyang**") commenced operations and recorded RMB2.3 million revenue (as compared to RMB2.0 million of 1H2015 net off in construction-in-progress during trial operations);

The above storage revenue increase was partially offset by RMB0.5 million decrease of revenue contribution from Jiangyin Hengyang due to the low throughput arising from low demand.

Cost of sales

The Group's cost of sales decreased by 24.3% or RMB20.2 million from RMB82.8 million in 1H2015 to RMB62.7 million in 1H2016.

Transportation: The decrease in cost of sales was mainly due to the decrease of RMB30.2 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 the following:

(a) maiden depreciation charge in Yueyang and Chongqing.

(b) increase in direct worker costs and energy costs in Deqiao in line with the increased revenue.

(c) RMB2.7m expenses incurred in cleaning Deqiao facility consequent to the fire on 22 April 2016.

Gross profit

As a result of the above, the Group's gross profit decreased by 4.9% or RMB0.9 million from RMB18.6 million in 1H2015 to RMB17.7 million in 1H2016.

	Storage		Transportation		Elimination		Total	
	1H2016	1H2015	1H2016	1H2015	1H2016	1H2015	1H2016	1H2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	46,496	37,458	35,067	64,014	(1,154)		80,409	101,471
Cost of Sales	(37,384)	(27,300)	(30,355)	(57,868)	5,065	2,337	(62,675)	(82,831)
Gross Profit	9,112	10,158	4,712	6,146	3,911	2,337	17,734	18,640
Gross profit margin	19.6%	27.1%	13.4%	9.6%			22.1%	18.4%

The overall gross profit margin increased to 22.1% in 1H2016 as compared to 18.4% in 1H2015 due to the change in sales mix.

Other operating income

The Group's other operating income amounted to RMB1.2 million in 1H2016 and comprised RMB0.3 million interest income, RMB0.3 million subsidy from the Government for logistics

companies, RMB0.4 million services charges from a Chongqing customer and sundry income amounting to RMB0.2 million.

The Group's other operating income recorded in 1H2015 comprised mainly a subsidy of RMB0.3 million received from the Government for logistics companies, RMB0.4 million services charges from a Chongqing customer and sundry income amounting to RMB0.2 million.

Administrative expenses

The Group's administrative expenses decreased by 19.5% or RMB4.6 million from RMB23.6 million in 1H2015 to RMB19.0 million in 1H2016. This was mainly due to:

(a) The previous comparative 1H2015 includes RMB4.2 million accrual of disassembling 6 tanks for Deqiao liquid ammonia project.

(b) Exchange gain by RMB0.2 million in 1H2016 compared RMB0.4 million loss in 1H 2015

(c) Lower bonus expense by RMB0.4 million

The above was partially offset by RMB0.6 million of the maiden depreciation of Yueyang and Wuhan's office building commencement of usage in January 2016.

Finance costs

The Group's finance costs increased by RMB4.8 million from RMB2.7 million in 1H2015 to RMB7.5 million in 1H2016. The finance costs for 1H2016 comprised interest for the working capital loan amounting RMB3.1 million and RMB4.4 million interest cost for Chongqing and Yueyang's bank loan. In 1H2015, the Chongqing and Yueyang's bank loan interest was capitalised. The RMB2.7 million finance costs in 1H2015 was the bank interest of Jiangyin Hengyang and Transportation's working capital loan.

Income tax expense

The Group's income tax expense increased by 4.5% or RMB0.1 million from RMB2.2 million in 1H2015 to RMB2.3 million in 1H2016. The slight increase mainly resulted from taxes arising the business growth of Jiangyin Hengyang.

Net Profit

As a result of the above, the Group recorded a net loss of RMB10.0 million in 1H2016 as compared a net loss of RMB9.1 million in 1H2015.

Statement of financial position of the Group as at 30 June 2016

Non-current assets

As at 30 June 2016, the Group's non-current assets amounted to RMB1,731.9 million, and accounted for 95.3% of the Group's total assets.

	30.6.2016	31.12.2015
	RMB'000	RMB'000
Construction in-progress	915,544	892,943
Land use rights	260,258	263,187
Tank facilities	276,330	285,245
Buildings on leasehold land	111,800	113,043
Jetties	112,011	113,968
Electronic system and equipment	49,550	54,398
Furniture and fixture	329	168
Motor vehicles	6,040	6,793
	1,731,862	1,729,745

The increase of RMB2.1 million in 1H2016 was mainly due to the continued capital expenditure and capitalization of interest incurred for the construction of development projects amounting to RMB15.2 million. The increase was partially offset by the depreciation and amortization charged.

Current assets

As at 30 June 2016, the Group's current assets amounted to RMB86.4 million comprising trade and other receivables, amount owing by related parties and cash and cash equivalents, and accounted for 4.7% of its total assets.

As at 30 June 2016, a total of RMB55.7 million in trade and other receivables were recorded, of which,

(a) RMB21.6 million was trade receivables from third party customers;

(b) RMB0.3 million was note receivables from financial institutions;

(c) RMB18.5 million was deductible VAT; and

(d) RMB15.3 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 30 June 2016, the amounts owing by related parties amounted to RMB4.7 million representing trade receivables for the provision of petrochemical storage and transportation services.

The Group's cash and cash equivalents were denominated in RMB, USD and SGD. The Group's cash and cash equivalents as at 30 June 2016 stood at RMB25.9 million, a decrease of RMB23.1 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 30 June 2016, the Group's current liabilities amounted to RMB569.4 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 47.7% of its total liabilities.

As at 30 June 2016, a total of RMB276.5 million trade and other payables were recorded. This mainly comprised:

(a) RMB250.4 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) RMB26.1 million of trade payables which included RMB9.9 million payable to third-party transport companies for leasing of tank trucks, RMB7.6 million employee welfare and bonus payables and RMB8.6 million daily operation payables.

The Group's trade and other payables as at 30 June 2016 decreased by RMB17.8 million as compared to that of 31 December 2015 mainly due to the payment made to construction suppliers during the reporting period.

As at 30 June 2016, the Group had a total of RMB64.4 million short-term unsecured borrowings. This comprised:

(a) RMB4.5 million owing to a former shareholder of a subsidiary;

(b) RMB9.1 million due to the **Chairman**;

(c) RMB25.9 million short-term borrowing from its related party **Wuhan Kangyang**; and

(d) RMB22.9 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 RMB1.2 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 RMB0.8 million as at 30 June 2016.

The Group's short-term bank borrowings as at 30 June 2016 amounted to RMB226.2 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 30 June 2016, the Group had RMB2.2 million in current income tax payable.

Non-current liabilities

As at 30 June 2016, the Group's non-current liabilities amounted to RMB623.2 million, made up 52.3% of its total liabilities, and comprising:

(a) RMB501.3 million of long-term bank borrowings, net of the portion classified under current liabilities of RMB226.2 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) RMB17.7 million of deferred tax liabilities.

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

As at 30 June 2016, the Group had an amount of RMB17.7 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 property, plant and equipment.

Shareholders' equity

As at 30 June 2016, the Group's equity attributable to owners of the parent was RMB397.7 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

(e) retained earnings of RMB9.9 million.

As at 30 June 2016, the Group' non-controlling interests was RMB228.0 million, comprising mainly **MEGCIF5**'s 35% interest in the Group's subsidiary, **HHPL**.

Working capital

As at 30 June 2016, the Group was in a net current liabilities position of RMB483.0 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 RMB9.1 million due to its Chairman which is repayable only when the Group's internal resources permit; and c) the RMB22.9 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 RMB369.3 million as at 30 June 2016.

Statement of Cash flows of the Group for 1H2016

As at 30 June 2016, the Group recorded cash and cash equivalents of RMB25.9 million as compared to RMB49.0 million as at 31 December 2015.

Net cash flows generated from operating activities for 1H2016, after meeting the working capital requirements and paying income tax and interest, were RMB16.5 million.

Net cash from financing activities for the 1H2016, amounted to RMB18.9 million, was the net effect of additional bank loan drawdowns of RMB40.0 million, refund of restricted deposit with bank of RMB21.7 million, payment made to the related parties of RMB17.0 million and bank loan repayments of RMB25.8 million.

Net cash used for investing activities for the 1H2016, amounted RMB36.7 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% second quarter year-on-year growth rate, same as the first quarter of 2016[1]. The market condition remains challenging as Chinese economy faces increasingly 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"). Deqiao suspended its operations after the accident. Accordingly, the Group financial 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 1H2016.

(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 1H2015.

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

No dividend has been declared for 1H2016.

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	-	2,866
· Shanghai Kangyang(2)	-	157
· Golden Hope(3)	-	37
Intereste expense charged		
· Jinqiao Chemical	-	2,614
· Wuhan Kangyang(2)	-	863
Gu Wenlong		265

[1] Information from the website of Nation Bureau of Statistics of PRC: http://data.stats.gov.cn/easyquery.htm?cn=B01&zb=A0101&sj=2016B

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 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 1H2016 to be false or misleading in any material aspect.

15. 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". 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, the 1H2016 results announcement only included the impact of the revenue reduction due to Deqiao's suspension and site cleaning expenses to date. It did not include any damaged fixed assets to be written off nor any future repairs and refurbishment to damaged tank and equipment. It also did not include any compensation payable or any governmental penalties and fines. Neither does it includes recovery costs (e,g insurance), if any. 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 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

12 August 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.