

恒阳

Hengyang Petrochemical Logistics Limited

***Moving
FORWARD***



ANNUAL REPORT 2016

This annual report 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"). The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the Sponsor and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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■ CONTENTS ■

2	Corporate Profile
4	Chairman's Statement
8	Corporate Information
10	Operating and Financial Review
11	Financial Highlights
12	Board of Directors
14	Key Management
15	Group Structure
17	Corporate Governance
37	Sustainability and Community
39	Directors' Statement
42	Independent Auditor's Report
47	Statements of Financial Position
49	Consolidated Statement of Comprehensive Income
50	Consolidated Statement of Changes in Equity
52	Consolidated Statement of Cash Flows
54	Notes to the Financial Statements
106	Statistics of Shareholdings
109	Notice of Annual General Meeting
	Proxy Form

Corporate Profile

Established in 2002, Hengyang Petrochemical Logistics Limited and its subsidiaries (the “**Group**”) is a leading logistics service provider for the petrochemical industry in China. The Group provides storage and land transportation services for different types of bulk liquid petrochemical, 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.

The Group has a diverse clientele base of domestic and international customers, a majority of which are petrochemical manufacturers and distributors such as Dow Chemical (Shanghai) Co., Ltd., Mitsui & Co., Ltd., China National Offshore Oil Corporation (“**CNOOC**”), CNOOC and Shell Petrochemicals, Sinopec Chemical Products Sales Co., Jiangyin Golden Bridge Chemical Co., Ltd., Shanghai Pushun Import & Export Co., Ltd., BASF-YPC Co., Ltd., Shanghai Huayi (Group) Company, Yankuang Group Co., Ltd., Shaanxi Changqing Energy & Chemical Co., Ltd., British Petroleum, Sinochem International Corporation and Baichuan (Rugao) Chemical Co., Ltd.

The Group’s storage facilities at Jiangyin (“**Foreversun Facility**”) and Jingjiang (“**Deqiao Facility**”) in Jiangsu province are strategically located on the southern and northern bank of the Yangtze River near the river mouth, providing easy access to vital business partners as well as industrial transportation and distribution network for petrochemicals in the People’s Republic of China (“**PRC**”).

The Group’s first terminal, Foreversun Facility, has a storage base of 49 storage tanks with an aggregate storage capacity of 139,600 cubic meters. With more than one third of these storage tanks being stainless

steel, the Group owns one of the largest stainless steel storage facilities in the Yangtze Delta Region.

The Deqiao Facility comprises two petrochemical jetties and 139 storage tanks with an aggregate capacity of 583,000 cubic meters, of which 21 are spherical tanks with a total capacity of 39,800 cubic meters.

In recent years, the Group has further expanded its foothold to become a one-stop service and solution provider along the Yangtze River with the inception of three subsidiaries in Wuhan (“**Wuhan Facility**”), Chongqing (“**Chongqing Facility**”) and Yueyang (“**Yueyang Facility**”). These subsidiaries are located along the middle and upper reaches of the Yangtze River, where key petrochemical hubs are located.

In 2014, the Group completed the construction of a petrochemical jetty at the Chongqing Facility and Phase I of the Yueyang Facility, and trial operation of these facilities commenced in August 2014. In addition, the construction of Phase I of the Wuhan Facility has been completed and the trial operation has commenced in February 2015. With the completion of Phase II of the Wuhan and Yueyang Facilities and Phase I of the Chongqing Facility in the next one or two years, the Group is expected to continue to increase its storage capacity.

In September 2013, the Group sealed its strategic partnership with MEGCIF Investments 5 Limited (“**MEGCIF5**”), a company owned by Macquarie Everbright Greater China Infrastructure Fund (“**MEGCIF**”). Through this alliance with an international fund, the Group is able to leverage on the resources of the fund to support the progress of the Group’s capacity expansion and elevate the Group’s status in the petrochemical logistics sector.

As a testament to their high standards of quality, both Foreversun Facility and Deqiao Facility have been accredited by the Quality Certification Centre (“**QCC**”) and IQ Net for compliance with the ISO9001:2008 and GB/T 19001-2008 standards.

In recognition of their commitment to corporate social responsibility, Foreversun Facility and Deqiao Facility have also been accredited by QCC and IQ Net for the compliance with their Environmental Management standards - OHSAS 18001:2007 and GB/T 28001-2011 and their Occupational Health and Safety Management standards - ISO 14001:2004 and GB/T24001-2004. Furthermore, both facilities have passed the CDI-T audit and obtained ISO22000:2005 certificate in 2015.



公司简介



恒阳石化物流有限公司及其子公司（以下合称“集团”）成立于2002年，是中国一家领先的石化产业物流服务供应商。集团为多种液体、气体石化产品及油品提供仓储和运输服务以及供应链服务，产品包括醋酸、苯酚、丙酮、苯乙烯、甲醇、乙二醇、丙烷、丁烷、汽油、柴油、燃料油和基础油等。集团的仓储服务包括提供固定期限（一般是一年）的包罐租赁服务以及1-3个月的零租服务。

集团拥有多元化的国内外客户基础，其中大多数为石化产品的制造商和分销商，例如陶氏化学（上海）有限公司、中海油能源发展股份有限公司、中海壳牌石油化工有限公司、中石化化工销售有限公司、江阴市金桥化工有限公司、上海浦顺进出口有限公司、扬子石化-巴斯夫有限责任公司、上海华谊新能源化工销售、兖矿煤化供销有限公司、陕西长青能源化工有限公司、英国石油公司、中化国际（控股）股份有限公司、百川化工（如皋）有限公司等。

集团在江苏省江阴市和靖江市的两个仓储基地分别位于长江入海口附近的南北岸线——这一战略优势使得我们更加接近国内外的重要商业合作伙伴及中国石化产品的运输及分销中心。

集团源于江阴恒阳项目，该项目目前拥有49座储罐，总罐容为13.96万立方米。超过三分之一的储罐为不锈钢材质，集团因而成为长江三角洲地区拥有最大不锈钢储罐罐容的罐区之一。

德桥项目拥有2个石化专用码头及139座储罐，总罐容为58.3万立方米，包括罐容量为3.98万立方米的21座压力球罐。

近年来，集团进一步扩大规模，开始了沿长江发展战略，先后在武汉、重庆及岳阳成立了三家子公司。这三家子公司分别位于长江中上游地区的重要石化产业枢纽，使得集团成为沿长江流域的一站式服务供应商。

2014年，重庆项目一个化工码头及岳阳项目一期工程的建设均已完成，并在2014年8月开始试运行。另外，武汉项目已经完成了一期工程的建设并在2015年2月开始试运行。随着武汉岳阳二期项目的建成投运以及重庆项目一期工程的完工，在未来的一到两年内，集团的总罐容将继续增加。

2013年9月，我们与MEGCIF Investments 5 Limited，一家由麦格理光大大中华基础设施基金持有的子公司，达成了战略合作伙伴关系。通过与国际基金公司的结盟，我们可以利用资金来支持罐容扩充的建设，并提升集团在石化物流产业的地位。

作为高标准的质量证明，江阴恒阳项目和德桥项目均已荣获了中国质量认证中心和国际认证联盟联合颁发的ISO9001:2008和 GB/T 19001-2008质量管理体系认证证书，均在2015年通过了CDI-T的审核，获得ISO22000：2005证书。另外，作为一个有社会责任感的公司，江阴恒阳项目和德桥项目还均荣获了由中国质量认证中心和国际认证联盟联合颁发的OHSAS18001:2007及GB/T28001-2011职业健康安全管理体系认证证书、ISO14001:2004及GB/T24001-2004环境管理体系认证证书。

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, Management and staff of Hengyang Petrochemical Logistics Limited ("Hengyang" or "the Group"), I would like to extend my sincere gratitude to our shareholders, clients and business partners for their valuable support to tide us through the challenging business environment we have encountered in the financial year ended 31 December 2016 ("FY2016"). Your understanding and encouragement had enabled the Group to persevere during the difficult times.

STANDING STRONG IN ADVERSE SITUATION

The Chinese economy expanded 6.7% in 2016, lower than 6.9% growth in 2015. It was the weakest full-year growth since 1990. The development of the Chinese economy and society has entered into new normality and the demand in downstream markets had slowed down. There has been increased competition as a result of reduced demand for storage services whilst storage capacity has been expanding, and this had led to storage enterprises suffering directly from the market downturn. Accordingly, our Group has witnessed decreased demand for road transportation services and reduced storage volume.

The Group's revenue decreased by 35.2% or RMB74.9 million from RMB212.4 million in FY2015 to RMB137.5 million in FY2016. This was mainly due to lower transportation service revenue and lower revenue from Jiangsu Deqiao arising from suspension of operations since 22 April 2016 and lower throughput arising from low demand. In the meantime, costs increased due to the Deqiao accident. 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. 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.

CONTINUOUS IMPROVEMENT OF CORPORATE GOVERNANCE

Favourable corporate governance is the key to implementation of strategic measures and realizing future visions. Our Group is client-focused and we have continuously enhanced our corporate governance structure to improve customer satisfaction and maintain long-term effective growth. Meanwhile, we are committed to upholding "safety first" in production and had enhanced rules and regulations for safety operations.

The fire accident which occurred at Deqiao Facility in 2016 had impacted the Group greatly. We have learnt from our mistakes and prepared ourselves for a fresh start. We believe that upon resumption of operation, Deqiao Facility would become the representative petrochemical warehousing base in the northern area of Yangtze River again.



PROJECT DEVELOPMENT

In line with the Group's strategy of entering inland China along the Yangtze River, the Group's business presently covers the whole Yangtze valley. Upon completion of Phase One of the Chongqing Project and Phase Two of the Wuhan and Yueyang Projects, the Group is expected to continue to increase its overall storage capacity. These will hopefully enable us to become one of the major petrochemical logistics service providers along the Yangtze River in the near future.

In addition, the Group shall continue to explore the strategy of supply chain service so as to provide more value-added services to customers and enable itself to become a one-stop logistics service and solution provider in the petrochemical sector along the Yangtze River.

For the coming financial year, the Group will keep moving forward under challenging business environment. It will focus on further improving its safety management and operational efficiency and continue to strive towards becoming an all-round logistics service provider in the petrochemical sector

through implementation of supply chain service to provide more value-added services to its customers.

APPRECIATION AND ACKNOWLEDGEMENTS

In closing, on behalf of the Board and the Management, I wish to thank our staff, business partners, clients and other key stakeholders for their dedication and support and staying with us as we sail through a more difficult year.

On our part, we will continue to work diligently to ensure our efforts will reap long-term benefits for the Group and continue to deliver more value for our various stakeholders.

Yours faithfully,

GU WEN LONG

Group Executive Chairman and CEO

主席致辞

尊敬的各位股东：

大家好！首先，请允许我代表恒阳石化物流有限公司（“恒阳”或“集团”）董事会全体成员、公司管理层和全体员工向全体股东、客户及合作伙伴致以最诚挚的谢意。是你们的理解和宽容让我们做到了坚持。



逆境中求生存

2016年中国经济增长6.7%，低于2015年的6.9%，是1990年以来增长最慢的一年。中国经济社会发展进入新常态，下游市场需求增速放缓。作为仓储企业来说，市场的萧条带来了直接的影响，整个仓储需求量在萎缩而仓储容量不断扩大，竞争越来越激烈。相应地，我们集团也经历了公路运输客户需求量减少及仓储客户存储量减少。

集团2016财政年度的收入为1.375亿元人民币，同比2015财年的2.124亿元人民币降低了35.2%。主要原因是运输服务的收入减少、德桥停运及市场需求量的降低导致仓储收入减少。同时，德桥事故也引起费用的增加。2016财年集团的毛利润从2015财年的4520万元人民币下跌至1780万元人民币，同比下跌60.6%。综上，集团在2016财年产生了人民币1.015亿元的损失。

持续改善公司治理

良好的公司治理是落实一系列战略举措、实现未来愿景的重要保障。我们集团以客户为中心，持续改善公司治理架构，提升客户满意度，使公司长期保持有效增长。同时，我们始终把“安全”作为生产的第一要义，建立了较完善的安全生产规章制度，严格按照操作规程进行作业。

2016年德桥的火灾事故给了我们集团沉重一击，我们痛定思痛，已经为重新出发做好了准备，相信我们在2017年恢复运营后能够很快地收复失地，重新成为江北地区具有代表性的石化产品仓储基地。

项目进展

按照集团向沿江内陆市场开发的战略，集团目前的业务已较完整覆盖整个长江流域。武汉项目一期已投入试运



行，岳阳项目一期已正式运行，一旦重庆项目一期建成及武汉岳阳二期项目投产，集团公司的总库容有望在未来的一到二年内继续增加。这将使得我们在不久的将来成为长江沿线最大的石化物流服务供应商之一。

旨在为客户提供更多的增值服务，集团将继续探索供应链服务一体化战略，并实现使其成为长江沿线的一站式石化物流服务解决方案供应商。

在接下来的财政年度中，集团将在充满挑战的经济环境中持续运营。下一步将重点狠抓安全管理、提高运营效率，并持续努力通过供应链服务一体化战略的实施成为石化产业的全面物流服务供应商，为客户提供更多增值服务。

致谢

最后，我谨代表管理层，衷心感谢我们的员工、业务伙

伴、客户及股东在这艰难的一年里与我们并肩作战。我们也将继续努力，为集团获取长期利益，为股东创造更多的价值。

此致，

顾文龙

集团董事长兼执行总裁

Corporate Information

BOARD OF DIRECTORS

Gu Wen Long

*(Executive Chairman and
Chief Executive Officer)*

Tee Tuan Sem

(Executive Vice Chairman)

Xie Yu

(Non-Executive Director)

Diong Tai Pew

(Lead Independent Director)

Anthony Ng Koon Leng

(Independent Director)

Ho Chew Thim

(Independent Director)

AUDIT COMMITTEE

Diong Tai Pew

(Chairman)

Xie Yu

Anthony Ng Koon Leng

Ho Chew Thim

REMUNERATION COMMITTEE

Anthony Ng Koon Leng

(Chairman)

Diong Tai Pew

Xie Yu



NOMINATING COMMITTEE

Ho Chew Thim

(Chairman)

Diong Tai Pew

Xie Yu

Anthony Ng Koon Leng

AUDITOR

BDO LLP

Public Accountants and
Chartered Accountants

600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner-in-charge:

Goh Chern Ni

(Appointed since the financial
year ended 31 December 2013)

SHARE REGISTRAR

**Boardroom Corporate
& Advisory Services
Pte. Ltd.**

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

8 Robinson Road
#13-00 ASO Building
Singapore 048544

COMPANY SECRETARY

Yap Lian Seng, LLB (Hons)

(Appointed from 30 May 2012)



Operating and Financial Review

FINANCIAL PERFORMANCE

The Group's revenue decreased 35.2% year-on-year ("yoy") from RMB212.4 million in FY2015 to RMB137.5 million in FY2016. The decrease 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 RMB6.8 million and the decrease was due to: (a) decrease in revenue from Jiangsu Deqiao arising from suspension of operations since 22 April 2016; and (b) decrease in revenue contribution from Jiangyin Hengyang due to the low throughput arising from low demand. The decrease of storage service was offset by new sources of revenue arising from commencement of operations of Yueyang Hengyang Chemical Logistics Co. Ltd. ("Yueyang Hengyang") and Chongqing New Hengyang Chemical logistics Co. Ltd. ("Chongqing Hengyang").

In line with the lower revenue, the Group's cost of sales decreased 28.4% yoy from RMB167.2 million in FY2015 to RMB119.7 million in FY2016. The decrease was mainly due to the decrease of RMB67.3 million from the Group's transportation services segment. This decrease was partially offset by the increase of cost of sales in storage service segment, which is mainly due to maiden operating costs in Yueyang Hengyang and Chongqing Hengyang.

Overall gross profit decreased 60.6% yoy from RMB45.2 million in FY2015 to RMB17.8 million in FY2016, and gross profit margin decreased from 21.3% for FY2015 to 12.9% for FY2016. The decrease in gross profit margin was mainly due to the suspension of operations and expense arising from the Accident at Jiangsu Deqiao as well as Yueyang Hengyang's maiden operations (where fixed overhead exceeds revenue generated).

The Group's administrative and other expenses increased 105.8% yoy from RMB50.1 million in FY2015 to RMB103.1 million in FY2016. The increase was mainly due to various expenses arising from Deqiao Accident. These are compensation for loss of customers' goods; write off of damaged Property, Plant and Equipment. But the increase in administrative expenses were partially offset by cost reduction from Deqiao due to the suspension of business.

The Group's finance costs increased RMB11.3 million from RMB5.2 million for FY2015 to RMB16.5 million for FY2016. The finance costs for FY2016 comprised interest for the working capital loan and related party loan and interest cost for Chongqing Hengyang and Yueyang Hengyang's bank construction loan.

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

FINANCIAL POSITION

As at 31 December 2016, the Group's total assets amounted to RMB1.8 billion, and the total liabilities amounted to RMB1.2 billion.

The Group was in a net current liabilities position of RMB895.8 million as at 31 December 2016. Excluding the amount payable of 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, the amount payable of RMB61.9 million due to the related parties and Chairman of the Group, which the related parties and Chairman of the Group have undertaken not to demand repayment until the Group's resources permit, the Group's net working capital deficit would be RMB747.4 million as at 31 December 2016.

Barring any unforeseen circumstances, with the proposed capital injection from a new investor, CITIC Port Investment Co Ltd, and the continuous support from the local PRC government authority, suppliers and banks, the Group can meet its debt obligations for the next twelve months.

As at 31 December 2016, the Group's equity attributable to owners of the parent was RMB337.6 million for FY2016 as compared to RMB405.4 million for FY2015.

CASH FLOW MANAGEMENT

The Group's net cash used in operating activities for FY2016 was RMB24.6 million after meeting the working capital requirements and paying income tax and interest.

Net cash generated in financing activities for the FY2016 amounted to RMB60.6 million. This arose from the result of 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, bank loan repayments of RMB85.8 million and decrease of fixed deposits pledged with financial institutions of RMB41.7 million.

Net cash used in investing activities for the FY2016, amounted to RMB32.4 million. This arose from the result of the net effect for the Group's additions of construction projects and paying the bank loan interest offset by a net refund of RMB21.8 million down payment of Land Use Rights in Chongqing project.

As a result, cash and cash equivalents decreased to RMB10.9 million as at 31 December 2016 as compared to RMB49.0 million as at 31 December 2015.

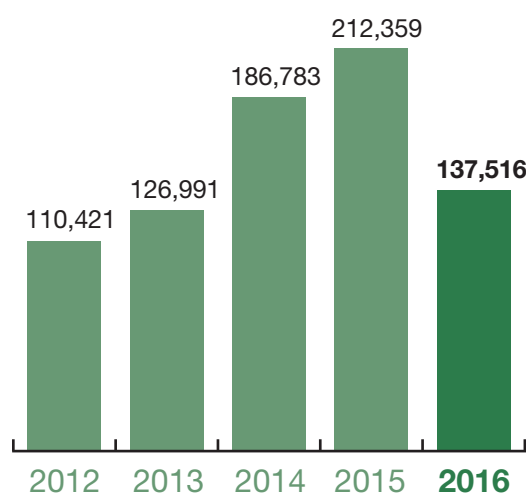
Financial Highlights

KEY FINANCIAL FIGURES

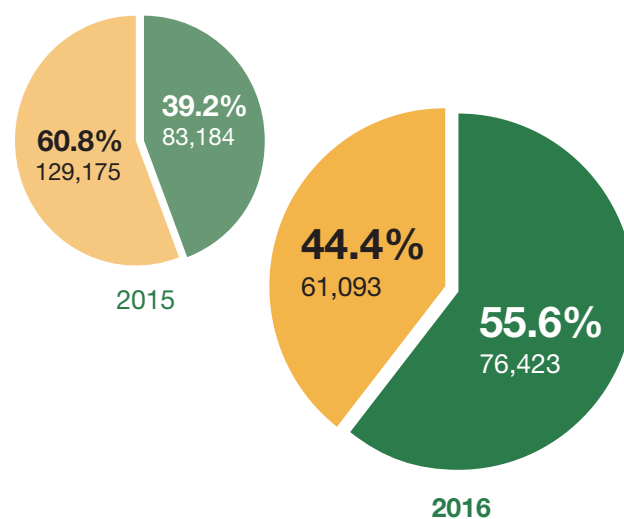
RMB'000	2016	2015
Income Statement		
Revenue	137,516	212,359
Gross profit	17,785	45,186
Loss attributable to owners of the parent	(67,801)	(10,423)
Balance Sheet		
Cash and cash equivalents	10,949	49,017
Total assets	1,765,492	1,844,111
Total liabilities	1,231,512	1,208,452
Total equity	533,980	635,659
Cash Flow Statement		
Net cash (used in) / generated from operating activities	(24,620)	30,309
Net cash used in investing activities	(32,367)	(91,625)
Net cash generated from / (used in) financing activities	60,647	(13,316)
Key ratios		
Gross Profit Margin	12.9%	21.3%
Net Gearing Ratio*	78%	74%

* Please refer to Note 33 of the Financial Statements for further explanation

Revenue (RMB'000)



Revenue Breakdown by Segments (RMB'000/%)



Legend:

Storage Service

Transportation Service

Board of Directors

MR GU WEN LONG (顾文龙)

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Gu Wen Long (“**Mr Gu**”) is our Executive Chairman and Chief Executive Officer.

He has been the Chief Executive Officer of Jiangyin Foreversun since November 2002. He was appointed to our Board on 23 April 2008. He is responsible for the daily operations of the Company and the formulation of the overall business strategies and policies for our Group. Mr Gu started his career in 1988 in the Jiangyin City Planning Committee, where he served as the deputy section chief, mainly involved in the implementation of relevant governmental plans. From 1993 to 1996, he was appointed as the vice general manager of Jiangyin City Third Industry Development Co., Ltd., where his primary responsibility was to oversee the business of coal trading. From 1996 to 2002, Mr Gu served as the manager of the credit loan management department of Shanghai Pudong Development Bank (Jiangyin Branch) where he was in charge of personal and corporate loan management.

Mr Gu graduated from Nanjing University in 1988 with a bachelor’s degree in Economics.

MR TEE TUAN SEM

EXECUTIVE VICE CHAIRMAN

Mr Tee Tuan Sem (“**Mr Tee**”) is our Vice Chairman and Executive Director and was appointed to our Board on 15 August 2008.

Prior to joining our Group, Mr Tee was an audit manager in Tet. O Chong & Co., (an established firm of public accountants) from 1976 to 1980, where he was mainly in charge of statutory audit and tax matters. Mr Tee joined Integrated Forwarding & Shipping Berhad (whose main business includes freight forwarding, transportation and distribution and which is a subsidiary of Integrated Logistics Berhad (“ILB”), a logistics conglomerate listed on Bursa Malaysia) as the company’s chief accountant in 1981. He was subsequently promoted to the position of finance director in 1998 and chief executive officer of ILB in 2001, a position which he currently holds. One of Mr Tee’s main responsibilities as the chief executive officer at ILB is overseeing and leading the strategic growth of the company’s operations in China and Dubai.

Mr Tee graduated from Tunku Abdul Rahman College in 1976. He is a Fellow Member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants.

MR XIE YU (谢瑀)

NON-EXECUTIVE DIRECTOR

Mr Xie Yu (“**Mr Xie**”) is our Non-Executive Director and was appointed to our Board on 19 November 2008. He is a member of our Audit Committee, Nominating Committee and Remuneration Committee.

He started his career in 1988 as the head of the enterprise department in Jiangsu Province State-Owned Properties Management Bureau, where he was mainly responsible for managing state-owned shares and matters in relation to state-owned enterprise shareholding system reformation. After ten years, he left in June 1998, to assume the position of deputy general manager of the Nanjing Branch of Nanfang Securities, a position he held until 2002. At Nanfang Securities, he was mainly in charge of investment banking and securities trading related matters. From 2003 to 2006, he was the chairman of Shanghai Kanghong Investment Co., Ltd. and was involved in implementing corporate development policies and measures. Mr Xie is currently the general manager of Shenzhen Runwave Investment Co., Ltd., and Honorary Vice-Chairman of Zhejiang(s) Entrepreneurs Association.

Mr Xie obtained his Bachelor of Economics degree from Nanjing University in 1988 and his graduation certification for a Master’s programme in Public Finance from Suzhou University in 1995.

MR DIONG TAI PEW

NON-EXECUTIVE AND LEAD INDEPENDENT DIRECTOR

Mr Diong Tai Pew (**“Mr Diong”**) is our Non-Executive Lead Independent Director and was appointed to the Board on 19 November 2008. He is the Chairman of our Audit Committee and a member of our Nominating Committee and Remuneration Committee.

Mr Diong began his career in 1976 in a chartered accountants company in Singapore. He left the chartered accountants company in 1980 and has since been practising as a public accountant in Singapore under CA Diong. Mr Diong is currently a Non-Executive Independent Director of VS International Group Ltd, a public listed company in Hong Kong, and a Senior Non-Executive Independent Director of SIG Gases Berhad, a company listed on Bursa Malaysia. He is the Chairman of the Audit Committee of the above-mentioned public listed companies.

Mr Diong obtained his Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. He is currently a Fellow Member of the Institute of Singapore Chartered Accountants, a Member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Tax Institute of Malaysia.

MR ANTHONY NG KOON LENG

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Mr Anthony Ng Koon Leng (**“Mr Ng”**) is our Independent Director and was appointed to our Board on 19 November 2008. He is the Chairman of our Remuneration Committee and a member of our Audit Committee and Nominating Committee.

Prior to joining the Group, Mr Ng started his career as a ship's officer on merchant navy vessels serving in the worldwide trade. In 1984, he joined SGS Singapore (Pte) Ltd. (a member of the SGS Group, which is engaged in inspection, verification, testing and certification globally), where he eventually attained the position of Department manager. In 1994, he was also appointed as Division manager of the Environmental division and OGC (Oil, Gas and Chemical) Chemical department where he was in charge of management and business development. Mr Ng was seconded to SGS-CSTC Standards Technical Services (China) Co., Ltd. based in Shanghai in 1997 as a director in charge of the OGC division for China and Hong Kong. In 2001, he left the SGS Group to join BP Singapore Pte Ltd as the Regional Logistics Technical & Safety Manager responsible for the Asia Pacific region. In 2007, he eventually rejoined the SGS Group as a Vice President in charge of Asia Pacific, OGC business development and sales. Mr Anthony Ng graduated from the school of Nautical Studies in 1978 and obtained a Diploma in Business Administration from the National Productivity Board, Singapore in 1993.

MR HO CHEW THIM

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Mr Ho Chew Thim (**“Mr Ho”**) is our Independent Director and was appointed to our Board on 8 September 2009. He is the Chairman of our Nominating Committee and a member of our Audit Committee.

Mr Ho is an accountant by vocation. He has over 35 years of experience in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte Ltd (an associate of SGX-listed CNA Group Ltd), CNA Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co. Ltd, Deutsche Bank (Singapore Branch), L & M Group Investments Ltd, United Industrial Corporation Limited and United Overseas Bank Limited. He is also an Independent Director on the Board of several public listed companies in Singapore. Mr Ho is a Fellow Member of the Institute of Singapore Chartered Accountants and CPA Australia. He graduated with a Bachelor of Accountancy (First Class Honours) degree from University of Singapore in 1976.

Key Management

MR WANG WEIZHONG (王伟忠) - CHIEF OPERATING OFFICER (“COO”)

Mr Wang Weizhong (“**Mr Wang**”) is our Chief Operating Officer in charge of the day-to-day operations as well as sales and marketing of the Group. Mr Wang was appointed to his present role on 19 June 2015. Mr Wang has extensive experience, qualifications and knowledge in the petrochemical logistics industry in the People’s Republic of China (“**PRC**”).

Mr Wang worked for Jiangsu Province Light Industrial Products Import/Export Co., Ltd. (江苏省轻工业品进出口公司) as a staff from July 1985 to July 1991 and subsequently joined Zhongshan Light Industry Product Co., Ltd. (香港钟山轻工工业品有限公司) as a sales manager responsible for import and export business in light industry products from July 1991 to April 1992. From April 1992 to December 1998, he went back to Jiangsu Province Light Industrial Products Import/Export Co., Ltd. as department head, where he was responsible for daily operations of the company. From December 1998, Mr Wang joined Hongkong Shanshui Outdoor Equipment Co., Ltd. (香港山水户外用品有限公司) as a deputy general manager until November 2003, where his main responsibilities included production, sales and marketing, quality control, accounting and human resources management. From 2003 to 2011, Mr Wang was with our Group and was promoted to be the Group’s COO since 2009 and was responsible for the day-to-day operations and sales and marketing of our Group. From 2011 to 2014, Mr Wang was with High Hope Zhongding Corporation as its Deputy General Manager, responsible for its daily operations. Mr Wang rejoined our Group as COO in June 2015.

Mr Wang graduated from Nanjing University (南京大学) with an associate degree in international trading in 1993. He received his qualification as Export Salesman from the Ministry of Foreign Trade and Economic Cooperation of the PRC in 1988.

MR ZI SONGTAO (訾松涛) - ACTING CHIEF FINANCIAL OFFICER (“ACTING CFO”)

Mr Zi Songtao (“**Mr Zi**”) is our Acting Chief Financial Officer. He was appointed in his role as Acting CFO on 25 April 2016 and is responsible for the overall financial, accounting, compliance and internal control functions of the Group, as well as the Group’s corporate finance and treasury activities.

Mr Zi has valuable experience in internal control and finance operations. Mr Zi was an accountant with Jiangsu Xinsu Machinery Manufacturing Co., Ltd. (江苏新苏机械制造有限公司) from July 1993 to May 1998 prior to joining Wuxi Xijing Steel Processing Co., Ltd. (无锡锡井钢材加工有限公司) as assistant finance manager from June 1998 to July 2000. Mr Zi was the finance manager at Wuxi Jibao Confectionery Co., Ltd. (无锡吉宝糖果有限公司), a wholly-owned subsidiary of the Cadbury group, from August 2000 to January 2005, and finance manager at Cadbury Marketing Services (Shanghai) Co., Ltd. (吉百利市场服务(上海)有限公司) from June 2004 and June 2005, where he was responsible for, among other things, preparation of financial reports, improving the internal control and accounting systems as well as preparation of annual budgets and monitoring the implementation of the same. Mr Zi subsequently joined GIEC (Shanghai) Co., Ltd. (杰科(上海)有限公司) as project finance manager and Gypco Plaster Board (Changzhou) Co., Ltd. (嘉汇恒合石膏建材(常州)有限公司) as finance manager from July 2005 to March 2006. From April 2006 to November 2010, Mr Zi was the finance manager at Boart Longyear Drilling Products (Wuxi) Co., Ltd. (宝长年钻探装备(无锡)有限公司) where he was responsible for the overall management of all finance operation and enhancement of the internal control systems as well as business processes. Mr Zi subsequently assumed the role of finance director at Wuxi Norlong Foundry Co., Ltd. (无锡诺龙铸造有限公司) from November 2010 to September 2011. Prior to joining Hengyang Holding Pte. Ltd., a 65%-owned subsidiary of the Company, as vice financial controller in January 2014, Mr Zi was vice president at GSS Systems Co., Ltd. (上海捷赛机械有限公司), where he was responsible for finance, production and warehousing operations, as well as overall internal control system and ERP / PDM selection and implementation.

Mr Zi is a Fellow Member of the Chinese Institute of Certified Public Accountants. Mr Zi graduated from Yangzhou University (扬州大学) in 1993 with a Bachelor degree in Financial Accounting and obtained his Master of Business Administration degree from Southeast University (东南大学) in 2003.

MR XIN FENG (辛峰) - VICE GENERAL MANAGER (“VGM”)

Mr Xin Feng (“**Mr Xin**”) is our Vice General Manager in charge of construction of projects and quality and quantity control of the projects. He was appointed to his present role on 30 April 2012. Mr Xin has extensive experience, qualifications and knowledge in the petrochemical logistics industry in the PRC.

Mr Xin worked at Jiangyin Saisheng Polyester New Materials Co., Ltd. from 2002 to 2008 as the Assistant General Manager, where he was mainly in charge of construction of the projects and management of, *inter alia*, the property, plant and equipment. From 2008 until he joined our Group in 2012, Mr Xin worked at Nanjing Kangyang Chemical Logistics Co., Ltd. as the Vice General Manager in charge of the overall management of the facilities.

Mr Xin obtained his Bachelor degree in Chemical Engineering from Nanjing University of Technology in 1996 and his Master of Business Administration degree from Nanjing University in 2005.

Group Structure

恒阳

Hengyang Petrochemical Logistics Limited

Hengyang Holding Pte. Ltd

65%

Deqiao Petrochemical
Logistics Pte. Ltd.

100%

Outside PRC

Within PRC

Jiangyin Foreversun
Chemical Logistics Co., Ltd.

100%

Jiangyin Golden
Bridge Transportation
Co., Ltd.

87.65%

Jiangsu Deqiao
Storage Co., Ltd.

100%

Wuhan Hengyang
Chemical Logistics
Co., Ltd.

100%

Chongqing New
Hengyang Storage
Co., Ltd.

100%

Yueyang Hengyang
Petrochemical
Logistics Co., Ltd.

100%

Jingjiang Shuangjiang
Ports Co., Ltd.

100%

Note: Hengyang Petrochemical Logistics Limited (the “Company”) and its subsidiaries have gone through a series of intragroup restructuring exercise at the end of 2016 in order to streamline its corporate structure, specifically the structure within the People’s Republic of China (“PRC”). Please refer to the Company’s announcement dated 10 January 2017 released via the SGXNET for further information.

“ For the coming financial year, the Group will keep moving forward under challenging business environment. ”



Corporate Governance

Hengyang Petrochemical Logistics Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance. The Company understands that good corporate governance is an integral element of a sound corporation and enables us to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering, and hence helps to protect our shareholders’ interests. This also helps the Company create long-term value and returns for our shareholders.

CORPORATE GOVERNANCE REPORT

The Company was admitted to the Catalist Board of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 8 October 2009 (“**Listing**”). On 2 May 2012, the Monetary Authority of Singapore issued the revised Code of Corporate Governance 2012 (the “**Code**”) which took effect with respect to annual reports of listed entities relating to financial years commencing from 1 November 2012.

The Company also refers to the disclosure guide (“**Disclosure Guide**”) issued by the SGX-ST in January 2015 and has incorporated answers to the questions set out in the Disclosure Guide in this Report.

The Company is pleased to report on our corporate governance processes and activities as required by the Code. For the financial year ended 31 December 2016 (“**FY2016**”), the Group has complied in all material respects with the principles laid down by the Code, and where there is any deviation, appropriate explanation has been provided within this Report. For easy reference, sections of the Code under discussion in this Report are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

1. THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

Our board of directors (the “**Board**”) comprises the following members, all possessing the appropriate core competencies and diversity of experience, which enable them to effectively contribute to the Group.

Name	Position	Date of Initial Appointment	Date of Last Re-election or Re-appointment
Gu Wen Long	Executive Chairman of the Board & Chief Executive Officer	23 April 2008	22 April 2015
Tee Tuan Sem	Executive Vice-Chairman of the Board	15 August 2008	22 April 2016
Xie Yu	Non-Executive Director	19 November 2008	23 April 2014
Diong Tai Pew	Lead Independent Director	19 November 2008	22 April 2015
Anthony Ng Koon Leng	Independent Director	19 November 2008	22 April 2016
Ho Chew Thim	Independent Director	08 September 2009	23 April 2014

All Directors are required to discharge their duties and responsibilities objectively at all times as fiduciaries in the interests of the Company.

Besides carrying out its statutory responsibilities, the principal functions of the Board are, as follows:

- to provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;

Corporate Governance

- to review Management's performance;
- to identify key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- to set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- to consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's quarterly, half year and full year results and interested person transactions of a material nature.

To assist in the execution of its responsibilities, our Board has established three Board Committees comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**") and a Remuneration Committee (the "**RC**"). These committees function within clearly defined written terms of reference and operating procedures, which will be reviewed on a regular basis.

Non-Executive Directors are routinely briefed by the Executive Directors or the Executive Officers at Board meetings or at separate sessions, and provided with all necessary updates on regulatory and policy changes as well as developments affecting the Company and the Group. All Non-Executive Directors may request for additional information from the Executive Directors, Management and/or the Company Secretary to familiarise themselves with the Group's business and have access to Executive Directors, Management and the Company Secretary.

A formal letter of appointment is sent to all newly appointed Directors of the Company upon their appointment, setting out the duties and obligations as a Director, including, where appropriate, how to deal with conflicts of interest. All newly appointed Directors of the Company will be receiving comprehensive and tailored induction and training on their duties as a Director and how to discharge those duties. The Company also ensures that Directors are continually and regularly updated on the Company's business and the regulatory as well as industry-specific environment in which the Company operates.

The Board meets at least four (4) times a year. Ad hoc meetings will be convened as and when warranted by particular circumstances between the scheduled meetings. The Constitution of the Company provides for meetings of the Board to be held by way of telephone or video conference or by means of similar communication equipment. The numbers of meetings of the Directors for FY2016 were as follows:

	Board	Board Committees		
		Audit	Nominating	Remuneration
Number of meetings held	8**	4	1	1
	Number of meetings attended			
Gu Wen Long	8	4*	1*	1*
Tee Tuan Sem	7	4*	–	–
Xie Yu	8	4	1	1
Diong Tai Pew	8	4	1	1
Anthony Ng Koon Leng	8	4	1	1
Ho Chew Thim	8	4	1	1*

* Attended the meeting as an invitee.

** Four additional *ad hoc* Board meetings were held on 22 April 2016, 24 April 2016, 26 April 2016 and 24 May 2016 respectively with respect to the industrial fire which had occurred at the storage facility ("**Deqiao Facility**") of the Company's subsidiary company, Jiangsu Deqiao Storage Co., Ltd. ("**Accident**"). For further details on the Accident, please refer to the Company's announcements dated 25 April 2016, 4 November 2016 and 21 December 2016 released via the SGXNET.

Corporate Governance

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

In view of Mr Gu Wen Long being the Executive Chairman and Chief Executive Officer (“CEO”) of the Company, and who is also part of the management team and is not an independent director, the Company is required to have at least half the Board comprising independent directors. The Board comprises six (6) Directors of whom three (3) are independent, namely, Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim. The criterion of independence is based on the definition set out in the Code. The Board considers an “independent” Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment in the conduct of the Group's affairs. With three (3) Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. There is therefore no individual or small group of individuals, who/which dominates the Board's decision making. The independence of each Director is reviewed annually.

The Board has examined its size and is of the view that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company. In this regard, the Board took into account the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and the Board Committees.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group comprises members with core competencies in accounting and finance, business and management experience, industry knowledge, strategic planning and customer based experience.

The profiles of our Directors are set out on pages 12 and 13 of this Annual Report.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Gu Wen Long (“Mr Gu”) currently holds the dual positions of Executive Chairman and CEO of the Company. The Board believes that Mr Gu is the most appropriate person to undertake these positions, given his vast experience, expertise and familiarity with both our organisation and the industry, and that such an arrangement is in the best interests of the Group. As all major decisions made by Mr Gu are reviewed by the respective Board Committees, the Board is of the view that there are sufficient safeguards to ensure accountability and independent decision making.

While the roles and responsibilities of the Executive Chairman and CEO are vested in Mr Gu, major decisions are made in consultation with the Board. In accordance with the recommendations of the Code, the Board possess a strong and independent element, comprising three (3) Independent Directors, who form half of the full Board of six (6) Directors. The Board believes that there are adequate measures in place against any uneven concentration of power and authority in one individual.

Mr Gu is responsible for the daily operations of the Company and the formulation of the overall business strategies and policies for our Group. As Chairman, Mr Gu leads the Board to ensure its effectiveness in all aspects of its role; sets the agenda and ensures adequate time for discussion of all agenda items, particularly strategic issues; promotes a culture of openness and debate in the Board; ensures the Directors receive complete, adequate and timely information; ensures effective communication with shareholders; encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of Non-Executive Directors in particular; and promotes high standards of corporate governance.

Corporate Governance

Mr Diong Tai Pew (“**Mr Diong**”) serves as our Lead Independent Director and is available to our shareholders who have concerns when contact through the normal channels of our Executive Chairman and CEO or Acting Chief Financial Officer (“**Acting CFO**”) has failed to resolve such concerns or when circumstances are such that it would be more appropriate to contact him directly. Periodically, Mr Diong will convene meetings of the Independent Directors, without the presence of the Executive Directors and the Management, and will provide feedback to the Executive Chairman after such meetings.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC is guided by written terms of reference clearly setting out its authority and duties. The NC is responsible for making recommendations on all board appointments and re-nominations having regard to the contribution and performance of the Director seeking re-election.

The NC comprises Mr Ho Chew Thim, as the Chairman, and Messrs Diong Tai Pew, Xie Yu and Anthony Ng Koon Leng, as the Committee members, all of whom are Non-Executive Directors and a majority of whom are independent. The Lead Independent Director, Mr Diong Tai Pew, is a member of the NC.

Briefly, our NC will be responsible for:

- 1) reviewing and recommending the nomination or re-nomination of our Directors having regard to the Director’s competencies, commitment, contribution and performance;
- 2) determining on an annual basis whether or not a Director is independent;
- 3) assessing the performance of the Board and contribution of each Director to the effectiveness of the Board;
- 4) reviewing the appropriate size of the Board;
- 5) reviewing the training programmes for the Board on an annual basis;
- 6) reviewing board succession plans for all Directors; and
- 7) reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC conducts reviews of directors’ independence annually and as and when circumstances require. Based on the latest review, the NC is of the view that Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim are independent in accordance with the Code’s definition of independence.

The NC has reviewed the training needs of the Directors in FY2016 and has encouraged Directors to attend relevant training courses that could enhance the knowledge of Directors in the performance of their duties as Directors of the Company.

New Directors are appointed to the Board after the NC has reviewed and considered the skills, qualifications and experience of the nominated Director in its search and selection process. Further, the NC, in considering the re-appointment of a Director, will evaluate such Director’s contribution and performance, such as his attendance at meetings of the Board and/or Board committees, participation, candour and any special contribution. The NC will also have regard to such Director’s performance and contribution to the Group and whether such Director has adequately carried out his duties as a Director.

Pursuant to the Constitution of the Company, each Director is required to retire at least once every three (3) years by rotation and all newly appointed Directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

The NC has deliberated and has decided to recommend to the Board the nomination of Messrs Xie Yu and Ho Chew Thim who will be retiring as Directors at the forthcoming annual general meeting, for re-election.

Corporate Governance

The Non-Executive Directors have multiple board representations. However, the NC is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Company, in addition to their multiple board representations. The NC and the Board are of the view that setting a maximum number of listed company board representations a Director should have is not meaningful as the contribution of each Director would depend on their individual circumstances, including whether they have a full time vocation or other responsibilities.

There are no alternate directors appointed to the Board.

The directorships and chairmanships held by the Directors in other listed companies, as well as other major appointments, both present (as at 31 December 2016) and held over the preceding three years (from 31 December 2013 to 31 December 2016), are as follows:

Name	Directorships	Major Appointments (other than Directorships)
Gu Wen Long	<u>Present</u> Nil	<u>Present</u> Nil
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Tee Tuan Sem	<u>Present</u> Integrated Logistics Berhad	<u>Present</u> Integrated Logistics Berhad (Chief Executive Officer)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Xie Yu	<u>Present</u> Nil	<u>Present</u> Shenzhen Runwave Investment Co., Ltd. (General Manager) Zhejiang(s) Entrepreneurs Association (Honorary Vice-Chairman)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> ZMAX GLOBE LLP (Partner)
Diong Tai Pew	<u>Present</u> VS International Group Ltd. SIG Gases Berhad	<u>Present</u> CA Diong (Practising Chartered Accountant)
	<u>In the Past 3 years</u> Eastern Holdings Ltd.	<u>In the Past 3 years</u> Nil
Anthony Ng Koon Leng	<u>Present</u> Nil	<u>Present</u> SGS Group (Vice President, OGC Asia Pacific)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil

Corporate Governance

Name	Directorships	Major Appointments (other than Directorships)
Ho Chew Thim	<u>Present</u> Yongmao Holdings Limited Mencast Holdings Ltd. China Kunda Technology Holdings Limited DeClout Limited Procurri Corporation Limited Manulife US Real Estate Management Pte Ltd (Manager of listed Manulife US Real Estate Investment Trust)	<u>Present</u> Nil
	<u>In the Past 3 years</u> R H Energy Ltd.	<u>In the Past 3 years</u> NIL

5. BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board are assessed annually. The purpose of the evaluation is to increase the overall effectiveness of the Board.

Board performance is linked to the overall performance of the Group. The Board complies with the applicable laws and members of our Board are required to act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

Our NC is responsible for recommending a framework for the evaluation of the Board's and each individual Director's performance for the approval of the Board. Each member of our NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination.

The NC reviews the criteria for evaluating the Board's performance. The performance criteria for the Board evaluation include an evaluation of the size and composition of the Board, the Board's access to information, accountability, the Board's processes, the Board's performance in relation to discharging its principal responsibilities, communication with Management and the standard of conduct of the Directors.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Company's business. They have also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In determining each individual Director's performance, the following process is adopted: each Director will be required to complete a tailor-made self-assessment form. The responses of each Director will be collated, analysed and reported by the NC Chairman to the NC and thereafter to the Board. The individual evaluation will assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). Feedback arising from the process will be provided by the NC Chairman (in consultation with the NC) directly to the Director concerned. The evaluation will be taken into account in the appointment or re-election of the Directors. Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Corporate Governance

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfil its responsibilities, the Management strives to provide Board members with complete and adequate information for Board meetings on a timely and ongoing basis. For example, management accounts of the Group's performance, position, and prospects are provided to the Executive Directors on a monthly basis and to all members of the Board on a quarterly basis. Directors are further entitled to request from Management and should be provided with such additional information as needed to make informed decisions. The Board has unrestricted access to the Company's records and information.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors in advance of Board meetings, followed by the Board papers and related materials, in order for the Directors to be adequately prepared for the meetings.

The Board (whether individually or as whole) has separate and independent access to Management and the Company Secretary at all times, and may seek independent professional advice if necessary, at the expense of the Company. The Company Secretary generally attends all Board meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act (Cap. 50) of Singapore and the Listing Manual. Under the direction of the Executive Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and its committees and between senior management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

The appointment and removal of the Company Secretary are subject to the Board's approval.

The Directors, whether as a group or individually, may seek independent professional advice as considered necessary in the furtherance of their duties, and the cost of such professional advice is borne by the Company.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each Director and the CEO.

The RC comprises Mr Anthony Ng Koon Leng, as the Chairman, and Messrs Diong Tai Pew and Xie Yu, as the Committee members, all of whom are Non-Executive Directors with the majority of them being independent.

The duties and powers of the RC are, as follows:

- 1) to recommend to the Board a framework of remuneration for the Directors and Executive Officers which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;
- 2) to review and recommend specific remuneration packages for each Executive Director;

Corporate Governance

- 3) to recommend to the Board the remuneration of the Non-Executive Directors, which should be appropriate to the level of their respective contributions, taking into account factors such as the effort and time spent, and their responsibilities;
- 4) to determine the targets for any performance-related pay schemes in respect of the Executive Directors of the Group, and to review and to recommend to the Board the terms of renewal of their service contracts; and
- 5) to review the Company's obligations arising in the event of termination of the Executive Directors' and Non-Executive Directors' contracts of service and to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC's recommendations will be submitted for endorsement by our Board. Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No Director is involved in deciding his own remuneration. The RC has access to advice regarding executive compensation matters, if required.

The remuneration packages of the Executive Directors are based on service contracts. The Non-Executive and Independent Directors are paid yearly directors' fees and these fees are subject to shareholders' approval at the annual general meeting. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors which are aligned with long term interest and risk policies of the Group. The RC shall review the compensation annually and ensure the remuneration of the Executive Directors is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. If necessary, the RC will consider expert advice outside the Company on remuneration of all Directors. No external expert advice was sought in 2016.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors. Director's fees are subject to the approval of shareholders at the annual general meeting. No Director is involved in deciding his own remuneration.

Our Independent Directors receive directors' fees commensurate to their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive. The Company has no share option plans. Accordingly, no share option has been granted to its Directors and Executive Officers.

The remuneration for our Executive Directors comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and his individual performance:

- a. the Company has entered into a service agreement with Mr Gu Wen Long, our Executive Chairman and CEO on 9 September 2009 (the "**Service Agreement**"). The Service Agreement was for an initial term of three (3) years commencing from the date of the listing of the Company on the Catalist, and will continue thereafter unless terminated by not less than three (3) months' notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term. Pursuant to the Service Agreement, Mr Gu is entitled to an annual basic salary of RMB1.0 million which may be subject to such increase as the RC may determine at its absolute discretion. Under the Service Agreement, any annual incentive bonus of Mr Gu is subject to the review and discretion of the RC after accounts of our Group for the immediate preceding financial year have been audited; and

Corporate Governance

- b. the Company has also entered into a service agreement with Mr Tee Tuan Sem on 6 July 2010 (the “**Other Service Agreement**”), for an initial term of three (3) years commencing from 6 July 2010, and will continue thereafter unless terminated by not less than three (3) months’ notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term. Pursuant to the Other Service Agreement, Mr Tee is entitled to an annual basic salary of RMB500,000, which may be subject to such increase as the RC may determine at its absolute discretion.

There are, at present, no long-term incentive schemes in place for executive directors and key management personnel. The RC will consider whether to adopt Guideline 8.2 of the Code in due course.

There are, at present, no provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and Non-Executive Directors in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

9. DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company’s Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Generally, the Company’s director’s remuneration takes into account the level and quality of effort and contribution to the Board, respective responsibilities, attendance and time spent, subject to shareholders’ approval at annual general meetings. The Company also takes into account pay and employment conditions within the same industry and in comparable companies.

The remuneration paid or payable to the Directors and Executive Officers for services rendered during FY2016 by percentage is, as follows:

Remuneration bands	Salary %	Performance Bonus %	Fee %	Other Allowances %	Other Benefits %	Total %
Directors						
Below S\$250,000						
Gu Wen Long ⁽¹⁾	100	—	—	—	—	100
Tee Tuan Sem ⁽¹⁾	100	—	—	—	—	100
Xie Yu	—	—	100	—	—	100
Diong Tai Pew	—	—	100	—	—	100
Anthony Ng Koon Leng	—	—	100	—	—	100
Ho Chew Thim	—	—	100	—	—	100
Executive Officers						
Below S\$250,000						
Wang Weizhong ⁽¹⁾	100	—	—	—	—	100
Zi Songtao ⁽¹⁾	100	—	—	—	—	100
Xin Feng ⁽¹⁾	100	—	—	—	—	100

Notes:

- (1) The Company is of the view that its key executive officers only comprise its Executive Directors, Mr Gu Wen Long and Mr Tee Tuan Sem, and Mr Wang Weizhong, Mr Zi Songtao and Mr Xin Feng. As such, the Company only disclosed the remuneration of Mr Wang Weizhong, Mr Zi Songtao and Mr Xin Feng, the only three (3) executive officers who are not a Director or CEO of the Company.

Corporate Governance

The remuneration of each individual executive officer (who is not a Director or CEO of the Company) and the remuneration of the Non-Executive Director (Mr Xie Yu) and Independent Directors (Messrs Diong Tai Pew, Anthony Ng Koon Leng and Ho Chew Thim) are not disclosed to the nearest thousand dollar in the Annual Report as the Company does not believe it to be in its interest to disclose the breakdown of each individual's remuneration as such, having regard to the highly competitive human resource environment, the confidential nature of staff remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool. For the same reasons, the Company does not believe it to be in its best interest to disclose the key performance indicators that are linked to the remuneration package, including any termination, retirement and post-employment benefits.

The aggregate amount of the total remuneration paid to the executive officers (who are not Directors or CEO) for FY2016 is RMB1,449,000. This amount is inclusive of remuneration paid to the previous chief financial officer of the Company, Ms Ji Cuihua, who has resigned with effect from 22 April 2016.

The remuneration of Ms Gu Fan, who is the daughter of Mr Gu Wen Long, Executive Chairman and CEO of the Company, exceeded S\$50,000 in FY2016. Ms Gu Fan was a Senior Investment and Development Executive of the Company in FY2016 prior to being promoted as Investment and Development Manager of the Company on 1 March 2017. For further details on Ms Gu Fan's appointment as Investment and Development Manager of the Company, please refer to the Company's announcement dated 1 March 2017 released via the SGXNET.

"Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister and parent.

Remuneration bands	Salary %	Performance Bonus %	Fee %	Other Allowances %	Other Benefits %	Total %
Employee Below S\$100,000						
Gu Fan	100	–	–	–	–	100

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the quarterly, half yearly and annual financial statements and announcements to shareholders, the Board aims to provide shareholders with a detailed and balanced analysis and explanation of the Group's financial position and prospects. The Board also ensures that adequate steps are taken to ensure compliance with legislative and regulatory requirements. The AC has been tasked to review the Company's financial information to ensure that the objective is met.

Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis and as the Board may require from time to time. The Board will update the shareholders on the operations and financial position of the Company through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Corporate Governance

11. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Internal Controls

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments, and also to determine the Company's level of risk tolerance and risk policies.

In FY2016, the scope of the internal audit comprised: (1) follow-up review of the previous year's internal audit issues; and (2) review of the interested person transactions within the Group. The limited scope of internal audit in FY2016 was due to the Company having to commit significant amount of resources, effort and time to address the issues relating to the Accident at the Deqiao Facility (as defined below) and the subsequent rectification works. As part of addressing the issues and rectification works relating to the Accident at the Deqiao Facility, the Company had engaged reputable safety experts to substantially review safety procedures of all its subsidiary companies and had reinforced safety training and control of both internal and external personnel to address and rectify operational safety issues.

The Board has received assurances from the CEO and CFO that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems in place are adequate and effective.

The Board is satisfied that the system of internal controls maintained by the Group's Management provides reasonable assurance for the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, complying with legislation, regulations and best practices and the identification and management of business risks, as well as providing reasonable assurance against material financial misstatements or loss. The Board, with the concurrence of the AC, is therefore of the view that the system of internal controls and risk management maintained by the Group is adequate and effective to safeguard shareholders' investments, the Group's assets and addresses financial, operational, compliance and information technology controls, and risk management systems of the Group.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

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. There were no whistle-blowing letters received during the year and until the date of this Report.

Risk Management

Under the Code, the Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Company's assets, and should determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.

As of the date of the Annual Report, the Company does not have a Risk Management Committee. However, 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 reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

Corporate Governance

Accident at the Deqiao Facility

The Company announced via the SGXNET on 25 April 2016 that an industrial fire had occurred at the storage facility (“**Deqiao Facility**”) of the Company’s subsidiary company, Jiangsu Deqiao Storage Co., Ltd. (“**Accident**”). On 4 November 2016, the Company announced that the Taizhou City Government (being the governmental authority leading the investigation) had on 1 November 2016 released an investigation report (“**Investigation Report**”) with respect to the Accident. The Company also provided an unofficial English Translation of the Investigation Report on 21 December 2016. For further details on the Investigation Report, please refer to the Company’s announcements dated 4 November 2016 and 21 December 2016 released via the SGXNET.

Subsequent to the occurrence of the Accident, the Company had engaged and worked with reputable safety experts to substantially review safety procedures of all its subsidiaries and had reinforced safety training and control of both internal and external personnel. The Company also enhanced the management of safety production at all subsidiary companies with, *inter alia*, measures as follows:

- revision and improvement of safety management procedures at all storage facilities by implementing stricter guidelines to be imposed on both internal and external personnel who conduct work at all storage facilities;
- periodic test run and debugging of emergency shutdown valves of storage tanks at all storage facilities to ensure that these valves are set in automatic status to shut down in the event of emergency and that the manual operation of these valves are functional;
- periodic conduct of safety inspection by both internal personnel and external third party inspection agencies;
- periodic conduct of emergency exercises at all storage facilities without notification in advance; and
- debugging and enhancement of the automatic delivery system to ensure the trigger of an alarm system and interlocking of pumps in the event of an oil spill.

The Company views the Accident with utmost seriousness and is continually working to reinforce and enhance the safety management procedures of all subsidiaries to safeguard shareholders’ investments and the Group’s assets.

12. AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.

The AC comprises Mr Diong Tai Pew, as the Chairman, and Messrs Xie Yu, Anthony Ng Koon Leng and Ho Chew Thim, as the Committee members, all of whom are Non-Executive Directors with majority being independent.

The Board is of the view that at least two (2) members of the AC, including the AC Chairman, have the requisite qualifications, recent and relevant financial management knowledge, expertise and experience to discharge their responsibilities properly and effectively.

The AC members attend training sessions on the updates to accounting requirements as well as related market developments and emerging trends. AC members are regularly updated on changes to accounting standards and issues related to financial reporting through, *inter alia*, their meetings with the internal and external auditors of the Company.

Updates on changes in accounting standards and issues which have a direct impact on financial statements are prepared by external auditors and circulated to members of the AC periodically.

The Board has approved the written terms of reference of the AC. The main duties and responsibilities of the AC are, as follows:

- 1) to review with the external auditors their scope of audit, their audit plan, their evaluation of the system of internal accounting controls, their audit report, their letter to Management and Management’s response;

Corporate Governance

- 2) to review and ensure the integrity of the half-year and full year financial statements, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- 3) to review the internal control procedures (including reviewing the procedures implemented by our Group to ensure that all requisite licenses and approvals are obtained prior to commencement of the appropriate phases of each project, as well as ensuring that such procedures are adequate) and ensure co-ordination between the external auditors and our Management, and review the assistance given by our Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of our Management, where necessary);
- 4) to review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- 5) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, that they may come across during the audit, which has or is likely to have a material impact on our Group's operating results or financial position, and our Management's response;
- 6) to consider and evaluate the performance of independent auditors and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors, as well as approve the remuneration and terms of engagement of the external auditors;
- 7) to review the Mandated Transactions (as defined in the Company's Shareholders' Mandate, being the Appendix to the Annual Report of the Company for the Financial Year ended 31 December 2013), (including credit terms, status of outstanding receivables and any payments or disbursements to the interested person) and interested person transactions ("IPTs") (if any) falling within the scope of Chapter 9 of the Listing Manual to ensure that the IPTs are valid, on normal commercial terms and not prejudicial to the interests of the Company and the minority shareholders. In particular, the AC is to commission the external auditors (or such other reputable and independent audit firm as the AC deems suitable) as special auditors ("**Special Auditors**") for the purposes of reviewing of the Mandated Transactions in accordance with the established procedures. The AC is to review and discuss the special audit report presented by the Special Auditors on an annual basis. In addition, the AC shall also review periodically with the Special Auditors their terms of appointment and scope of work, for the purposes of determining the effectiveness of the special review;
- 8) to review internal audit plans;
- 9) to review the procedures by which employees of our Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigations and follow-up actions in relation thereto;
- 10) to review potential conflicts of interest, if any;
- 11) to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- 12) generally to undertake such other functions and duties as may be required by the relevant laws or the Listing Manual, and by such amendments made thereto from time to time; and
- 13) to review our key financial risk areas, with a view of providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET.

Corporate Governance

The AC has full authority to investigate any matter within its terms of reference, full access to and co-operation from Management and external and internal auditors and full discretion to invite any Director, Executive Officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external auditors and with the internal auditors, without the presence of the Company's Management, at least annually for a review and discussion of any key issues raised. The AC discuss regularly with Management on key operational matters, appropriateness of accounting treatment for significant transactions and important risk and control measures. The AC is also further updated by the Management and the external auditors of changes to the Listing Manual and other regulations which could have an impact on the Group's financial statements.

The AC undertakes such further functions as may be agreed to by the AC and the Board from time to time.

During the course of FY2016, the AC's activities included, *inter alia*, the following:

- (i) review of the quarterly, half yearly and annual results of the Group before submission to the Board for approval;
- (ii) review of internal control policies implemented by the Group;
- (iii) review of the annual audit plan proposed by the external auditors and approving any changes as necessary;
- (iv) review of the appointment of independent internal auditor;
- (v) review of the appointment of independent external auditor;
- (vi) review of interested person transactions falling within the scope of Chapter 9 of the Listing Manual; and
- (vii) review of the Group's financial and operational results and accounting policies.

External Auditors

BDO LLP, the external auditors of the Company, was responsible for providing services in connection with the audit of the financial statements of the Group for FY2016. For FY2016, the total remuneration in respect of audit services and non-audit services provided by BDO LLP for the Company is disclosed in section 21 of this Report.

The AC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. The AC is satisfied that the external auditors have not provided any substantial volume of non-audit services to the Company during the FY2016 that will prejudice their independence and objectivity.

The AC has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the Section B: Rules of Catalist of the SGX-ST Listing Manual (the "**Catalist Rules**") in relation to its auditing firms. No former partner or director of BDO LLP is a member of the AC, and none of the members of the AC hold any financial interest in BDO LLP.

Corporate Governance

Significant matters	How the AC reviewed these matters and what decisions were made
Losses arising from the Accident at Deqiao Facility	The AC considered the management's quantification of losses arising from the Accident at Deqiao Facility. The AC reviewed the basis and reasonableness of the relevant losses quantified.
Impairment of property, plant and equipment ("PPE") and land use rights	The AC considered the approach and methodology applied to the valuation model in PPE impairment assessment as well as the assessment for indicators of impairment of land use rights. The AC reviewed the reasonableness of key assumptions and analysis applied to the valuation report.

The above significant matters have been identified by the external auditors as key audit matters for FY2016. Please refer to pages 42 to 44 of this Annual Report for further information.

13. INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC has appointed Deloitte & Touche Enterprise Risk Services Pte Ltd ("**Deloitte**") to be the Company's internal auditor, who will in turn ensure adequate staffing of persons with the relevant qualifications and experience to fulfil the scope of work agreed upon. Deloitte will undertake regular reviews in accordance with an internal audit plan approved by the AC to review the adequacy and effectiveness of the Company's system of internal control, including financial, operational, compliance and information technology controls, and risk management. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

The internal auditor carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditor reports directly to the AC and reports administratively to the CEO. The internal auditor's scope of work and its internal audit findings will be submitted to the AC for review.

The AC approves the hiring, removal, evaluation and compensation of Deloitte as the Company's internal auditor. The AC also evaluates the adequacy and effectiveness of the internal audit function at least annually.

14. SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to establishing a corporate governance culture that promotes fair and equitable treatment of all shareholders. All shareholders are treated fairly and equitably, and enjoy specific rights under the Singapore Companies Act (Cap. 50) and the Company's Constitution.

Corporate Governance

These rights include, amongst others, pecuniary rights, for example, the right to participate in profit distributions and membership rights such as the right to participate in general meetings and the right to exercise their voting rights. Currently, under the Company's Constitution, all shareholders are entitled to attend and vote at the general meetings by person or proxy, and may appoint up to a maximum of two proxies, who need not be shareholders of the Company to attend and vote at general meetings.

In addition, as of 3 January 2016, the Companies Act has been amended to, amongst other things, allow certain members who are "relevant intermediaries" to attend and participate in general meetings without being constrained by the two-proxy requirement. A "relevant intermediary" as defined under the Companies Act includes corporations holding licenses in providing nominee and custodial services and who hold shares in that capacity and the CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are given notice of general meetings with the sufficient notice period as required in the Companies Act, and are informed of the relevant rules and procedures governing general meetings, including voting procedures. Separate resolutions are proposed on each substantially separate issue at such general meetings. Shareholders are provided with the opportunity to raise questions and participate effectively at such general meetings on any issues that they may have with respect to the resolutions to be passed.

The Company respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All material information and changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares are disclosed in a timely manner via SGXNET announcements.

15. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises that effective communication leads to transparency and enhances accountability. As such, the Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company according to the Listing Manual. Before and after every general meeting, the Executive Chairman and other members of the Board engage in dialogue with shareholders, to gather views or inputs, and address shareholders' questions and concerns.

The Company regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In this regard, the Company provides timely information to its shareholders via SGXNET announcements and news releases and ensures that price-sensitive information is publicly released, and is announced within the mandatory period. The Company does not practise selective disclosure.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released via SGXNET. The Company has not declared or recommended any dividend in respect of FY2016 as the Group needs to conserve cash for operational requirements, further investment and development of its infrastructural facilities as well as to repay borrowings.

Corporate Governance

16. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are informed of shareholders' meeting through notices published in newspapers and annual reports or circulars sent to all shareholders. These notices are also published on the SGXNET. Shareholders are encouraged to attend, participate and vote at the Company's annual general meetings and extraordinary general meetings, where they are allowed to vote in person or in absentia. They are further encouraged to raise relevant questions or give views of the Company through open question and answer session.

Resolutions at general meetings are each on substantially separate issues. All the resolutions at the general meetings are single item resolutions.

All Directors, and in particular the chairpersons of the AC, NC and RC will be present at the AGM to address any relevant queries from shareholders. The Company's external auditors, BDO LLP, will also be invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

In accordance with the Code requirements, all resolutions at the general meetings are put to vote by poll. Announcements of the detailed results of voting showing the number of votes cast for and against each resolution and the respective percentages are also made after each general meeting.

The minutes of the general meetings are prepared by the Company Secretary and include substantial comments or queries from shareholders and responses from the Executive Chairman, the Board and the Management. These minutes are available to shareholders of the Company at their request.

17. DEALINGS IN SECURITIES

In compliance with the relevant rules of the Listing Manual, 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.

18. MATERIAL CONTRACTS

Save as disclosed below and in Section 19 of this Report, neither the Company nor any of its subsidiaries have entered into any material contract involving the interests of the CEO, each Director or controlling shareholder either still subsisting at the end of the financial year ended 31 December 2016 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2015:

A. EXTENSION OF BORROWINGS FROM A RELATED PARTY

On 1 July 2013, the Group and its related party, Jiangyin Golden Bridge Chemical Co., Ltd. ("Jinqiao Chemical"), signed a supplementary agreement to extend the date of repayment of a RMB93.1 million interest-free borrowings to 31 December 2014, and renewable for another year thereafter. The borrowings were for partial funding of certain construction projects of the Group.

Corporate Governance

On 1 January 2015, the Group and Jinqiao Chemical signed another supplementary agreement to extend the above borrowings to 30 June 2023. Of the total borrowings, RMB29.5 million bears interest at the funding cost incurred by Jinqiao Chemical, and the balance 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**").

B. EXTENSION OF BORROWINGS FROM A DIRECTOR

On 1 July 2013, a subsidiary of the Company, Jiangsu Deqiao Storage Co., Ltd. ("**Jiangsu Deqiao**"), and the Executive Chairman of the Company signed a supplementary agreement to extend the date of repayment of a RMB11.1 million interest-free borrowings to 31 December 2014, and the terms are extendable for another year thereafter.

On 1 January 2015, Jiangsu Deqiao and the Executive Chairman of the Company signed another supplementary agreement to extend the above borrowings to 30 June 2018, and the borrowing bears interest at the prevailing prime lending rate set by People's Bank of China.

C. EXTENSION OF BORROWINGS FROM A RELATED PARTY

On 17 December 2015, the Group entered into a loan agreement with its related party, Wuhan Kangyang Petrochemical Co., Ltd. ("**Wuhan Kangyang**"), for the amount of RMB25 million to provide partial funding for its Jiangsu Deqiao facility. The loan bears interest at the funding cost of 6.9% per annum incurred by Wuhan Kangyang and was repayable by 16 December 2016.

On 17 December 2016, the Group entered into a supplementary agreement with Wuhan Kangyang to extend the date of repayment of RMB25 million to 16 December 2017, and the borrowing bears interest at the funding cost of 6.5% per annum incurred by Wuhan Kangyang.

19. INTERESTED PERSON TRANSACTIONS

As a listed company on the SGX-ST, the Company has taken the following steps to ensure compliance with the requirements of Chapter 9 of the Listing Manual ("**Chapter 9**") on interested person transactions, including ensuring that interested person transactions are properly reviewed, approved, and conducted on an arm's length basis:

- 1) the Board meets quarterly to review if the Group will be entering into any interested person transaction. If the Group is intending to enter into an interested person transaction, the Board will ensure that the Group complies with the requisite rules under Chapter 9; and
- 2) the AC also meets quarterly to review if the Group will be entering into any interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

Corporate Governance

For the period under review, the Group has carried out interested person transactions with the following persons:

Information required pursuant to Rule 907

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under the existing shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000)
Jiangyin Golden Bridge Chemical Co., Ltd. (" Jinqiao Chemical ") ^{(1) (4)}		
– Provision of Petrochemical storage services and land transport services	–	9,302
Shanghai Kangyang Petrochemical Co., Ltd. (" Shanghai Kangyang ") ^{(2) (4)}		
– Provision of Petrochemical storage services and land transport services	–	431
Golden Hope Industrial Co., Ltd. (" Golden Hope ") ^{(3) (4)}		
– Provision of petrochemical storage services and land transport services	–	185
Interest expense payable to:		
– Jinqiao Chemical ⁽¹⁾	–	5,264
– Wuhan Kangyang Petrochemical Co., Ltd. (" Wuhan Kangyang ") ⁽²⁾	–	1,725
– Gu Wen Long	–	529

Notes:

- Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the Company's Executive Chairman and CEO, Mr Gu Wen Long.
- Shanghai Kangyang, Wuhan Kangyang and Jiangyin Saisheng are controlled by Jinqiao Chemical.
- Golden Hope is controlled by Mr Gu Wen Long, the Company's Executive Chairman and CEO.
- The Company had obtained a renewal of the modified 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.

Corporate Governance

- (5) The Company's Executive Chairman and CEO, Mr Gu Wen Long and his spouse, Ms Sun Fang, have provided personal guarantees for the following construction loans without receiving any benefit in kind, commission or interest from the Group:

RMB' million	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G
Bank name	Nanyang Commercial Bank (China) Ltd, Wuxi branch	China Minsheng Banking Corp. Ltd.	Bank of China	Huarong Xingjiang Bank	China Minsheng Banking Corp. Ltd	Bank of Communications	CITIC Port Investment Co. Ltd.
Loan facilities granted	400.0	427.0	120.0	40.0	100.0	20.0	80.0
Loan amount draw down as at 31 December 2016	400.0	230.0	100.0	40.0	71.6	20.0	54.1
Amount repaid	(140.0)	(52.0)	(21.0)	(2.0)	(6.0)	–	–
Outstanding amount as at 31 December 2016	260.0	178.0	79.0	38.0	65.6	20.0	54.1
– Repayable within one year	80.0	178.0	3.0	16.0	27.0	20.0	54.1
– Repayable after one year	180.0	–	76.0	22.0	38.6	–	–

20. SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is CIMB Bank Berhad, Singapore Branch ("CIMB").

For FY2016, CIMB did not provide any other non-sponsor services to the Company and no non-sponsor fees were paid during the financial year.

21. AUDIT AND NON-AUDIT FEES

For FY2016, the remuneration paid or payable to the Group's external auditors for providing audit and other non-audit services are as follow:

	RMB'000
Audit fees paid/payable to	
– auditor of the Company	477
– other auditors	400
Non-audit fees paid/payable to	
– auditor of the Company	20
– other auditors	277

Directors' Statement

The Directors of Hengyang Petrochemical Logistics Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the accompanying financial statements comprising the consolidated statement of financial position of the Group and the statement of financial statement of position of the Company, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore so as to give a true and fair view of the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016 and of the consolidated financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, having regard to the proposed capital injection by CITIC Port Investment Co., Ltd. and the support from the bankers, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Gu Wen Long	(Executive Chairman and Chief Executive Officer)
Tee Tuan Sem	(Executive Director and Vice Chairman)
Xie Yu	(Non-Executive Director)
Diong Tai Pew	(Lead Independent Director)
Anthony Ng Koon Leng	(Independent Director)
Ho Chew Thim	(Independent Director)

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Statement

4. Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Act, none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as detailed below:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 January 2016	Balance at 31 December 2016	Balance at 1 January 2016	Balance at 31 December 2016
Company				
Gu Wen Long	–	–	114,100,000	114,100,000
Diong Tai Pew	372,500	475,300	–	–
Xie Yu	1,950,000	1,950,000	–	–
Ultimate holding company				
Foreversun Holdings Co., Ltd.⁽¹⁾				
Gu Wen Long	50,000	50,000	–	–

⁽¹⁾ Gu Wen Long owns the entire issued share capital of Foreversun Holdings Co., Ltd.

By virtue of Section 7 of the Act, Mr Gu Wen Long is deemed to have an interest in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year.

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of directors' shareholding, the Directors' interests as at 21 January 2017 in the shares of the Company have not changed from those disclosed as at 31 December 2016.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.

6. Audit committee

The Audit Committee of the Company is chaired by Mr Diong Tai Pew, an Independent Director. Other members of the Audit Committee are Mr Xie Yu, who is a non-executive director and Mr Anthony Ng Koon Leng and Mr Ho Chew Thim, who are both Independent Directors. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the executive directors and external and internal auditors of the Company:

- the audit plans of the internal and external auditors and the reports of the examination and evaluation of the Company's and the Group's systems of internal controls issued by the internal auditors;
- the Company's and the Group's financial and operating results and accounting policies;

Directors' Statement

6. Audit committee (Continued)

- (c) the statement of financial position of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;
- (d) the quarterly and full year results announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's external auditor;
- (f) the re-appointment of the external auditor of the Company; and
- (g) interested person transactions (as defined in Chapter 9 of the Listing Manual).

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Additional disclosure requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited

The auditor of the subsidiaries of the Company is disclosed in Note 7 to the financial statements. In the opinion of the Board of Directors and the Audit Committee, Rules 712 and 715 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited have been complied with.

8. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Gu Wen Long

Director

Singapore
7 April 2017

Diong Tai Pew

Director

Independent Auditor's Report

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hengyang Petrochemical Logistics Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 47 to 105, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Key Audit Matters (continued)

1 Losses Arising from Deqiao Incident

Key Audit Matter

An industrial fire had occurred at the storage facility of Jiangsu Deqiao Storage Co., Ltd. in the People's Republic of China ("Deqiao Facility") on 22 April 2016. The fire destroyed the Exchange Terminal Number 2 and damaged three of its surrounding storage tanks as well as the petrochemical products of its customers that were stored in those tanks ("Deqiao Incident").

Management carried out an assessment to determine the Group's losses arising from the Deqiao Incident, particularly focusing on the following items:

(a) Damaged property, plant and equipment ("PPE")

Management exercised significant judgement in assessing and quantifying the amount of damaged PPE. The list of PPE written off was consistent with the PPE verified by an independent insurance adjustor amounting to RMB11,072,000 which was recognised in the profit or loss.

(b) Compensation to customers

With regards to the petrochemical products of customers that were destroyed, management has agreed the level of compensation with each affected customer which aggregated to RMB36,803,000 and was recognised in the profit or loss.

We have determined this to be a key audit matter due to the significance of the losses recognised in the financial statements for the financial year ended 31 December 2016. In addition, significant audit effort had been expended to assess the appropriateness of management's assessment of the losses and the consequent impact to the financial statements.

Related Disclosures

Refer to Note 24 to the financial statements for the losses incurred for Deqiao Incident.

Audit Response

Our procedures included, amongst others, the following:

- We performed site-visit to the Deqiao Facility to observe the extent of damage caused by the fire;
- We evaluated management's assessment of the losses to determine whether provisions should be recognised or disclosures made for contingent liabilities that may arise from the Deqiao Incident;
- We held discussions with the insurance adjustor and obtained its assessment of the damaged PPE to assess the adequacy of the PPE written-off by management; and
- We evaluated the terms and conditions in the settlement agreements entered into with the affected customers to assess the adequacy of the compensation recognised in the financial statements.

Independent Auditor's Report

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Key Audit Matters (continued)

2 Impairment of Property, Plant and Equipment ("PPE") and Land Use Rights ("LUR")

Key Audit Matter

As at 31 December 2016, the Group had material PPE and LUR of RMB1,438,570,000 and RMB257,329,000 respectively, which comprised 96% of the total assets of the Group. Due to a contraction in the demand for petrochemical products which contributed to decrease in storage service revenue and continuous losses suffered by the Group, there are indicators that PPE and LUR of the Group may be impaired.

Management determined the recoverable amounts of PPE and LUR by engaging independent valuers to perform valuations. The valuation process involved significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The independent valuers applied the replacement costs method and comparable sales method to determine the recoverable amounts of PPE and LUR respectively.

We focused on this area as a key audit matter owing to the significant judgement and critical assumptions applied by the independent valuers in their valuations of the Group's PPE and LUR. The critical assumptions for the replacement costs method to assess PPE included current replacement unit costs and downward effect adjustment applied to reflect the deterioration of PPE through usage. For the comparable sales method to assess LUR, the critical assumptions included selling price per square metre based on recent market transactions involving identical or comparable LUR, adjusted for differences in key attributes such as land size.

Related Disclosures

Refer to Notes 2.6, 3.2, 5 and 6 to the financial statements for the accounting policy of impairment of non-financial assets, key estimation uncertainty for impairment of PPE and LUR and carrying values of PPE and LUR.

Audit Response

Our procedures included, amongst others:

- We assessed the objectivity and competency of the independent valuers which included considering the valuers' experiences and qualification in valuing similar types of assets;
- We held discussions with the independent valuers to understand the basis of the critical assumptions applied in their valuation reports;
- We independently challenged the critical assumptions applied by the independent valuers; and
- We performed sensitivity analysis on the downward effect adjustment applied by the independent valuers.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

TO THE MEMBERS OF HENGYANG PETROCHEMICAL LOGISTICS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Goh Chern Ni.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore

7 April 2017

Statements of Financial Position

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets					
Property, plant and equipment	5	1,438,570	1,466,558	11	22
Land use rights	6	257,329	263,187	–	–
Investments in subsidiaries	7	–	–	267,472	267,472
		1,695,899	1,729,745	267,483	267,494
Current assets					
Trade and other receivables	8	56,598	61,000	–	52
Amount owing by related parties	9	2,046	4,177	–	–
Amount owing by subsidiaries	10	–	–	769	291
Current income tax recoverable		–	172	–	–
Cash and cash equivalents	11	10,949	49,017	43	1,220
		69,593	114,366	812	1,563
Less:					
Current liabilities					
Trade and other payables	12	283,270	294,312	3,252	1,006
Amount owing to related parties	9	62,215	62,410	–	–
Amount owing to a subsidiary	10	–	–	16,799	16,056
Amount owing to directors	13	13,133	10,971	2,509	1,370
Amount owing to a former shareholder of a subsidiary	14	4,502	4,502	–	–
Borrowings	15	596,180	171,200	–	–
Current income tax payable		6,141	1,855	–	–
		965,441	545,250	22,560	18,432
Net current liabilities		(895,848)	(430,884)	(21,748)	(16,869)
Less:					
Non-current liabilities					
Amount owing to a related party	9	93,050	93,050	–	–
Amount owing to a director	13	11,143	11,143	–	–
Borrowings	15	143,460	542,110	–	–
Deferred tax liabilities	16	18,418	16,899	–	–
		266,071	663,202	–	–
Net assets		533,980	635,659	245,735	250,625

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Equity					
Share capital	17	289,064	289,064	289,064	289,064
Statutory common reserve	18	14,935	14,922	–	–
Other reserve	19	84,113	84,113	–	–
Foreign currency translation account	20	(270)	(270)	–	–
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

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	21	137,516	212,359
Cost of sales		(119,731)	(167,173)
Gross profit		17,785	45,186
Other income	22	7,222	2,463
Administrative and other expenses		(103,136)	(50,128)
Finance costs	23	(16,451)	(5,211)
Loss before income tax	24	(94,580)	(7,690)
Income tax expense	26	(6,874)	(5,720)
Loss for the financial year, representing total comprehensive income for the financial year		(101,454)	(13,410)
Loss attributable to:			
Owners of the parent		(67,801)	(10,423)
Non-controlling interests		(33,653)	(2,987)
		(101,454)	(13,410)
Total comprehensive income attributable to:			
Owners of the parent		(67,801)	(10,423)
Non-controlling interests		(33,653)	(2,987)
		(101,454)	(13,410)
Loss per share (cents):			
- Basic	27	(33.32)	(5.12)
- Diluted	27	(33.32)	(5.12)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital RMB'000	Statutory common reserve RMB'000	Other reserve RMB'000	Foreign currency translation account RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Equity attributable to owners of the parent RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	289,064	14,922	84,113	(270)	17,592	405,421	230,238	635,659
Loss for the financial year, representing total comprehensive income for the financial year	-	-	-	-	(67,801)	(67,801)	(33,653)	(101,454)
Transactions with non-controlling interests								
Dividends	-	-	-	-	-	-	(225)	(225)
Others	-	13	-	-	(13)	-	-	-
Transfer to statutory common reserve	-	13	-	-	(13)	-	-	-
Balance at 31 December 2016	289,064	14,935	84,113	(270)	(50,222)	337,620	196,360	533,980

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital RMB'000	Statutory common reserve RMB'000	Other reserve RMB'000	Foreign currency translation account RMB'000	Retained earnings RMB'000	Equity attributable to owners of the parent RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	289,064	13,526	83,004	(270)	29,407	414,731	230,538	645,269
Loss for the financial year, representing total comprehensive income for the financial year	-	-	-	-	(10,423)	(10,423)	(2,987)	(13,410)
Changes in ownership interests in a subsidiary								
Dilution of interest in a subsidiary	-	-	1,109	-	4	1,113	2,687	3,800
Capital injection by a non-controlling shareholder of a subsidiary	-	-	1,109	-	4	1,113	(1,113)	-
	-	-	-	-	-	-	3,800	3,800
Others								
Transfer to statutory common reserve	-	1,396	-	-	(1,396)	-	-	-
	-	1,396	-	-	(1,396)	-	-	-
Balance at 31 December 2015	289,064	14,922	84,113	(270)	17,592	405,421	230,238	635,659

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Loss before income tax		(94,580)	(7,690)
Adjustments for:			
Depreciation of property, plant and equipment		39,675	26,206
Amortisation of land use rights		1,987	1,137
Loss/(Gain) on disposal of property, plant and equipment		165	(2)
Loss on property, plant and equipment written off		11,072	7,629
Unrealised foreign exchange loss		(35)	499
Interest income		(364)	(122)
Interest expense		16,451	5,211
Operating cash flows before working capital changes		(25,629)	32,868
Working capital changes:			
Trade and other receivables (including related parties)		14,731	(9,496)
Trade and other payables (including directors and related parties)		141	11,981
Cash (absorbed by)/generated from operations		(10,757)	35,353
Interest paid		(12,966)	(1,163)
Income tax paid		(897)	(3,881)
Net cash (used in)/from operating activities		(24,620)	30,309
Investing activities			
Acquisition of property, plant and equipment	5	(25,793)	(42,383)
Refund of downpayment to purchase land use rights	5	30,000	–
Downpayment paid to purchase land use rights		(8,200)	–
Proceeds from disposal of property, plant and equipment		214	40
Interest paid and capitalised		(28,952)	(49,461)
Interest received		364	179
Net cash used in investing activities		(32,367)	(91,625)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Fixed deposits pledged with financial institutions		41,726	(38,806)
Proceeds from issue of ordinary shares by a subsidiary to a related party	7	–	3,800
Proceeds from borrowings		112,107	263,000
Repayment of borrowings		(85,778)	(281,850)
Dividends paid to non-controlling interests		(225)	–
Amount owing to related parties		(7,183)	31,670
Amount owing to directors		–	8,870
Net cash generated from/(used in) financing activities		60,647	(13,316)
Net change in cash and cash equivalents		3,660	(74,632)
Cash and cash equivalents at beginning of the financial year		7,291	82,406
Effect of exchange rate changes on cash and cash equivalents		(2)	(483)
Cash and cash equivalents at end of the financial year	11	10,949	7,291

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

Hengyang Petrochemical Logistics Limited (the “Company”) is a public limited liability company, incorporated and domiciled in Singapore with its registered office located at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. The Company’s registration number is 200807923K. The principal place of business is 1 Hengyang Road, Shizhuang, Huangtu Town, Jiangyin, Jiangsu Province, People’s Republic of China (“PRC”) 214446. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The immediate and ultimate holding company is Foreversun Holdings Co., Ltd., a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr Gu Wen Long, whose interest in the Company is held through his shareholdings in Foreversun Holdings Co., Ltd.

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a Directors’ resolution dated 7 April 2017.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards (“FRS”) in Singapore including related Interpretations of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below and on a going concern basis as disclosed in Note 4 to the financial statements.

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to International Financial Reporting Standards (“IFRS”) in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent to IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its “functional currency”). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese Renminbi (“RMB”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (RMB’000) as indicated.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial year, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group and the Company adopted the new or revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 102 (Amendments)	: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104 (Amendments)	: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

			Effective date (annual periods beginning on or after)
Improvements to FRSs (December 2016)			
- FRS 28 (Amendments)	: Investments in Associates and Joint Ventures		1 January 2018
- FRS 101 (Amendments)	: First-time Adoption of Financial Reporting Standards		1 January 2018
- FRS 112 (Amendments)	: Disclosure of Interests in Other Entities		1 January 2017

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption, except as discussed below.

FRS 7 (Amendments) *Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 *Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Classification and measurement (Continued)

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost.

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the Group's preliminary assessment, on initial adoption of this standard, there may be a potentially significant impact on the revenue recognition of the Group. The Group's transportation contracts with certain customers for transportation of petrochemicals included different loading and unloading locations. The Group currently recognises revenue upon completion of delivery of the petrochemical to the specified unloading location. Under FRS 115, the Group may be required to recognise transportation revenue over time as the customer simultaneously receives and consumes the benefits provided by the Group's delivery performance.

The Group does not expect any significant impact on the adoption of FRS 115 for its service revenue from storage, dispatch and drumming of liquid chemical and oil products.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of financial position, comprehensive income and changes in equity.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation is charged so as to write off the depreciable amounts of property, plant and equipment to their residual values over their estimated remaining useful lives, using the straight-line method, on the following bases:

Jetties	Over the land use rights tenure of 45 to 50 years
Building on leasehold land	Over the land use rights tenure of 37 to 50 years
Tank facilities	- components
	- plant structure
Electronic system and equipment	5 to 10 years
Motor vehicles	20 to 25 years
Furniture and fixture	5 to 10 years
	4 to 10 years
	3 to 5 years

No depreciation is provided for, in respect of construction-in-progress until it is substantially completed and ready for its intended use. Cost comprises direct costs of construction, after deducting the net proceeds generated from trial operations, amortisation of land use rights and employee benefits expense as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated items are retained in the financial statements until they are no longer in use.

2.5 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over lease term tenures, which range from 37 to 50 years, on a straight-line basis.

2.6 Impairment of non-financial assets

At the end of each financial year, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

As at the end of the financial year, the Group had financial assets classified under loans and receivables.

Loans and receivables

Trade and other receivables (including amount owing by related parties and subsidiaries but excluding prepayments and value added tax) and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method, less any identified impairment losses. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment on financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group and the Company classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

As at the end of the financial year, the Group and the Company had financial liabilities classified under other financial liabilities.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial liabilities (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables (including amounts owing to directors, subsidiary, related parties and a former shareholder of a subsidiary, but excluding other tax and levy payable) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expired. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of restricted cash in bank which is placed with banks to secure bank borrowings.

2.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is presented net of discounts and sales related taxes.

Rendering of services and transportation

Revenue from the storage, dispatch and drumming of liquid chemical and oil products are recognised when services are rendered. The revenue from land transportation business is recognised when the Group has transferred significant risks and rewards of transported petrochemicals to the customers upon delivery. Revenue is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible non-acceptance of services.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.9 Revenue recognition (Continued)

Other income

Other income is recognised when the Group has the rights to receive payment have been established.

2.10 Government incentive

Government incentives are recognised at the fair value where there is reasonable assurance that the incentive will be received and all attaching conditions will be complied with. Where the incentive relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.12 Employee benefits

Pension obligations

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations, namely in Singapore and the PRC. The contributions to these schemes are charged to the profit or loss in the period in which the related service is performed.

2.13 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.13 Taxes (Continued)

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss.

Value added tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statements of financial position.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.14 Operating leases

When the Group is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases, if any, are recognised as an expense in the period in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.15 Foreign currency transactions and translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of foreign operations (including monetary items that, in substance, form part of the foreign operations) are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Group executive directors and chief executive officer have been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Construction projects

In the previous financial year, the Group had completed most of its construction projects ("CIP") and commenced their trial operations after obtaining the trial operating licences from the respective government authorities to begin testing and commissioning of the facilities. As the testing and commissioning process requires the government authorities to issue various licences, the management uses its judgement in considering the point of transfer from CIP to property, plant and equipment ("PPE") based on the key licenses obtained from the respective government authorities. The critical judgement involved in ascertaining the point of transfer from CIP to PPE is based on the ability of the facilities being capable of operating in the manner intended by the management. Accordingly, the management is of the opinion that the CIP of Phase II and III of Jiangsu Deqiao Storage Co., Ltd. and Phase I of Wuhan Hengyang Chemical Logistics Co., Ltd. have not completed all the necessary activities, including obtaining the key operating licences from the respective government authorities, to prepare the CIP for their intended use. Therefore, the CIP for both subsidiaries were not transferred out from CIP to PPE and depreciation have not commenced.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies (Continued)

Impairment of investments in subsidiaries

The Company follows the guidance of FRS 36 in determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment and land use rights

The Group assesses whether there are any indicators of impairment for its property, plant and equipment and land use rights at the end of each financial year or when there are indicators that the carrying amounts may not be recoverable. The recoverable amounts of the property, plant and equipment and land use rights were determined on the basis of fair value less costs to sell which was estimated by the management by reference to independent valuation. The carrying amounts of the Group's property, plant and equipment and land use rights as at 31 December 2016 were approximately RMB1,438,570,000 and RMB257,329,000 (2015: RMB1,466,558,000 and RMB263,187,000) respectively.

Allowance for doubtful receivables

The provision policy for doubtful receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the creditworthiness, historical experience and on-going business relationships. If the financial conditions of these customers were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amount of the Group's third party trade and other receivables as at 31 December 2016 was approximately RMB56,598,000 (2015: RMB61,000,000).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Going concern

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

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

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

- a) Issuance of equity interest in Jiangyin Foreversun and subscription of 37.2% of the enlarged equity interest in Jiangyin Foreversun by CITIC Port for an aggregate consideration of RMB450,000,000.
- b) Concurrently, the Group will dispose of its 11.8% equity interest in Jiangyin Foreversun held by its subsidiary, Hengyang Holdings Pte. Ltd. ("HHPL"), to CITIC Port for an aggregate consideration of RMB142,900,000 such that the shareholder of Jiangyin Foreversun will comprise (i) HHPL holding 51% of the equity interest in Jiangyin Foreversun and (ii) CITIC Port holding 49% of the equity interest in Jiangyin Foreversun upon completion.

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Going concern (Continued)

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Property, plant and equipment

Group	Cost	Building on leasehold land		Jetties		Tank facilities		Electronic system and equipment		Motor vehicles		Furniture and fixtures		Construction-in-progress		Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016		124,727	121,581	359,281	84,391	17,157	402	892,943	1,600,482							
Additions		191	–	1,156	1,340	2,998	92	17,361	23,138							
Reclassifications		(133)	–	409	(307)	188	160	(317)	–							
Disposals		–	–	–	(244)	(1,711)	(27)	–	(1,982)							
Written off		–	–	–	–	–	–	(11,072)	(11,072)							
Balance at 31 December 2016		124,785	121,581	360,846	85,180	18,632	627	898,915	1,610,566							
Accumulated depreciation																
Balance at 1 January 2016		11,684	7,613	74,036	29,993	10,364	234	–	133,924							
Depreciation for the financial year		2,511	3,913	20,402	10,154	2,595	100	–	39,675							
Disposals		–	–	–	(201)	(1,376)	(26)	–	(1,603)							
Balance at 31 December 2016		14,195	11,526	94,438	39,946	11,583	308	–	171,996							
Carrying amount																
At 31 December 2016		110,590	110,055	266,408	45,234	7,049	319	898,915	1,438,570							

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Property, plant and equipment (Continued)

Group	Building on leasehold land	Jetties	Tank facilities	Electronic system and equipment	Motor vehicles	Furniture and fixtures	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
Balance at 1 January 2015	78,890	61,454	259,721	38,718	17,308	379	1,075,285	1,531,755
Additions	33	–	4,328	1,254	384	17	72,053	78,069
Reclassifications	45,804	60,127	96,319	44,510	–	6	(246,766)	–
Disposals	–	–	–	(91)	(535)	–	–	(626)
Written off	–	–	(1,087)	–	–	–	(7,629)	(8,716)
Balance at 31 December 2015	124,727	121,581	359,281	84,391	17,157	402	892,943	1,600,482
Accumulated depreciation								
Balance at 1 January 2015	9,835	5,767	59,913	24,767	8,915	196	–	109,393
Depreciation for the financial year	1,849	1,846	15,210	5,308	1,955	38	–	26,206
Disposals	–	–	–	(82)	(506)	–	–	(588)
Written off	–	–	(1,087)	–	–	–	–	(1,087)
Balance at 31 December 2015	11,684	7,613	74,036	29,993	10,364	234	–	133,924
Carrying amount								
At 31 December 2015	113,043	113,968	285,245	54,398	6,793	168	892,943	1,466,558

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Property, plant and equipment (Continued)

The Group's additions to property, plant and equipment are analysed as follows:

	2016 RMB'000	2015 RMB'000
Additions of property, plant and equipment	23,138	78,069
Amortisation of land use rights capitalised (Note 6)	(3,871)	(4,721)
Interest capitalised (Note 23)	(32,985)	(52,086)
Amount owing to suppliers	9,511	21,121
Refund of downpayment	30,000	–
Cash payments to acquire property, plant and equipment	25,793	42,383

The Group's depreciation charge is included in the following line items in profit or loss:

	2016 RMB'000	2015 RMB'000
Cost of sales	36,112	23,479
Administrative and other expenses	3,563	2,727
	39,675	26,206

At the end of the financial year, the following carrying amounts of the Group's property, plant and equipment were pledged as securities for borrowings:

	2016 RMB'000	2015 RMB'000
Building on leasehold land	93,755	95,822
Jetties	110,055	113,968
Tank facilities	221,720	238,361
Electronic system and equipment	42,693	51,641
Motor vehicles	3,433	626
Construction-in-progress	381,712	404,457
	853,368	904,875

These are held as securities for:

	2016 RMB'000	2015 RMB'000
- Bank loan I (Note 15)	219,066	233,079
- Bank loan III (Note 15)	336,219	339,105
- Bank loan IV (Note 15)	174,060	178,834
- Bank loan V (Note 15)	35,993	37,345
- Bank loan VI (Note 15)	70,851	98,135
- Bank loan VII (Note 15)	1,130	1,161
- Non-current amount owing to a related party (Note 9)	16,049	17,216
	853,368	904,875

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Property, plant and equipment (Continued)

During the financial year, the Group wrote off property, plant and equipment that were damaged in a fire incident comprising Exchange Terminal and storage tanks of RMB11,072,000. In the previous financial year, the Group wrote off six storage tanks of RM7,629,000 to make space for the construction of new storage tanks to store new products.

Impairment

During the financial year, the Group carried out an impairment review of its property, plant and equipment ("PPE"). The recoverable amount of the relevant assets was determined based on fair values by applying the replacement costs method. The key assumptions for replacement costs method are those regarding downward effect adjustment with reference to their remaining lifespan to reflect the deterioration of PPE through usage. The rate of reduction used in the downward effect adjustment range from 1% to 75% for the respective class of PPE.

Sensitivity analysis

As the subsidiaries are capable of generating cash flows independent of each other, they are considered separate cash generating units ("CGU").

Management has performed sensitivity analysis by applying 3% increase or decrease on the downward effect adjustment to assess the fluctuation on the recoverable amount. Since there were no impairment losses previously recognised on the Group's respective CGU, any increase in the recoverable amount will not result in reversal of impairment.

Change in key assumption	Increase/(Decrease) in recoverable amounts of the property, plant and equipment		
	Deqiao CGU RMB'000	Yueyang CGU RMB'000	Wuhan CGU RMB'000
Downward effect adjustment			
- 3% increase	(6,689)	(6,069)	(10,249)
- 3% decrease	6,689	6,069	10,249

Chongqing CGU

Management believes that no reasonably possible changes in any key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Property, plant and equipment (Continued)

	Electronic system and equipment RMB'000	Furniture and fixtures RMB'000	Total RMB'000
Company			
Cost			
Balance at 1 January 2016 and 31 December 2016	10	55	65
Accumulated depreciation			
Balance at 1 January 2016	10	33	43
Depreciation for the financial year	–	11	11
Balance at 31 December 2016	10	44	54
Carrying amount			
At 31 December 2016	–	11	11
Cost			
Balance at 1 January 2015 and 31 December 2015	10	55	65
Accumulated depreciation			
Balance at 1 January 2015	7	22	29
Depreciation for the financial year	3	11	14
Balance at 31 December 2015	10	33	43
Carrying amount			
At 31 December 2015	–	22	22

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Land use rights

	Group	
	2016 RMB'000	2015 RMB'000
Cost		
Balance at beginning and end of financial year	285,243	285,243
Accumulated amortisation		
Balance at beginning of financial year	22,056	16,198
Amortisation charge for the financial year		
- amount charged to profit or loss	1,987	1,137
- amount capitalised in construction-in-progress (Note 5)	3,871	4,721
	5,858	5,858
Balance at end of financial year	27,914	22,056
Carrying amount		
Balance at end of financial year	257,329	263,187

At the end of the financial year, the following carrying amount of Group's land use rights were pledged as securities for borrowings:

	2016 RMB'000	2015 RMB'000
- Bank loan I (Note 15)	65,134	66,729
- Bank loan III (Note 15)	133,827	136,690
- Bank loan IV (Note 15)	38,675	39,525
- Bank loan VII (Note 15)	19,693	20,243
	257,329	263,187

Land use rights relate to the following parcels of land in the PRC:

Location	Lease period	Land area (square metre)
Jiangyin Foreversun Chemical Logistics Co., Ltd.		
Tianshenggang Village, Huangtu Town, Jiangyin City, Jiangsu Province, PRC	47 years to August 2053	43,437
Tianshenggang Village, Huangtu Town, Jiangyin City, Jiangsu Province, PRC	37 years to April 2049	8,849
Jiangsu Deqiao Storage Co., Ltd.		
Danhua Village and Wangsheng Village, Xilai Town, Jingjiang City, Jiangsu Province, PRC	50 years to October 2056	185,673

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Land use rights (Continued)

Land use rights relate to the following parcels of land in the PRC: (Continued)

Location	Lease period	Land area (square metre)
Jingjiang Shuangjiang Ports Co., Ltd.		
East side of Danhua Port Entrance, Xilai Town, Jingjiang City, Jiangsu Province, PRC	50 years to June 2059	97,108
Xinsheng Farm, Xilai Town, Jingjiang City, Jiangsu Province, PRC	50 years to June 2062	21,485
Wuhan Hengyang Chemical Logistics Co., Ltd.		
Qunli Villiage, Beihu Chemical Industrial Park, Wuhan City, Hubei Province, PRC	50 years to November 2063	215,893
Yueyang Hengyang Petrochemical Logistics Co., Ltd.		
Zhangshu Village and Maoling Village, Yongji Town, Yunxi district, Yueyang City, Hunan Province, PRC	50 years to June 2062	135,743

7. Investments in subsidiaries

	Company	
	2016	2015
	RMB'000	RMB'000
Unquoted equity investments, at cost	265,517	265,517
Fair value adjustment on loan to a subsidiary	1,955	1,955
	<u>267,472</u>	<u>267,472</u>

The fair value adjustment on loan to a subsidiary was in relation to the Company in granting a conditional convertible loan of RMB50,023,000 to Hengyang Holding Pte. Ltd. ("HHPL") where the amortised cost of the loan was RMB48,068,000 and the fair value adjustment on the loan of RMB1,955,000 was recorded as investment in subsidiary. In 2014, the convertible loan was converted into equity interest in HHPL.

Dilution of interest in subsidiaries which did not result in loss of control

In the previous financial year, an amount of RMB3,800,000 was injected by a related party, Wuxi Jinfan Investment Management Limited Partnership, to acquire 10.56% equity interest in the enlarged share capital of Jiangyin Golden Bridge Transportation Co., Ltd ("GB Transportation"). Accordingly, the Company's effective equity interest in GB Transportation was diluted from 63.70% to 56.97%. For the purpose of the consolidated statement of cash flows, the cash inflow of RMB3,800,000 was presented as proceeds from issue of ordinary shares by a subsidiary to a related party. The effect on the equity attributable to owners of the parent arising from the dilution of interest which did not result in a loss of control was approximately RMB1,113,000.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Investments in subsidiaries (Continued)

Restructuring exercise

During the financial year, the Group completed an intra-group restructuring exercise involving the following subsidiaries incorporated in the PRC. The equity interest and control of the subsidiaries were transferred to Jiangyin Foreversun Chemical Logistics Co., Ltd. ("Jiangyin Foreversun") which the Company has an effective interest of 65% as at 31 December 2016 (2015: 65%). The details of the restructuring exercise are as follows:

- Deqiao Petrochemical Logistics Pte. Ltd. transferred its 45.08% equity interest in Jiangsu Deqiao Storage Co., Ltd. to Jiangyin Foreversun;
- HHPL transferred its 100% equity interest in Wuhan Hengyang Chemical Logistics Co., Ltd. to Jiangyin Foreversun;
- HHPL transferred its 100% equity interest in Chongqing New Hengyang Logistics Co., Ltd. to Jiangyin Foreversun; and
- HHPL transferred its 100% equity interest in Yueyang Hengyang Petrochemical Logistics Co., Ltd. to Jiangyin Foreversun.

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		2016 %	2015 %	2016 %	2015 %
Held by the Company					
Hengyang Holding Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding	65	65	35	35
Held by Hengyang Holding Pte. Ltd.					
Deqiao Petrochemical Logistics Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding	65	65	35	35
Jiangyin Foreversun Chemical Logistics Co., Ltd. ⁽²⁾ (PRC)	Investment holding. storage, dispatch and drumming of liquid petrochemical products	65	65	35	35
Wuhan Hengyang Chemical Logistics Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	–	65	–	35

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		2016 %	2015 %	2016 %	2015 %
Held by Hengyang Holding Pte. Ltd. (Continued)					
Chongqing New Hengyang Storage Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	–	65	–	35
Yueyang Hengyang Petrochemical Logistics Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	–	65	–	35
Held by Jiangyin Foreversun Chemical Logistics Co., Ltd.					
Jiangyin Golden Bridge Transportation Co., Ltd. ⁽²⁾ (PRC)	Land transportation of petrochemical products	56.97	56.97	43.03	43.03
Jiangsu Deqiao Storage Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid and gas petrochemical products	65	35.70	35	19.22
Wuhan Hengyang Chemical Logistics Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	65	–	35	–
Chongqing New Hengyang Storage Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	65	–	35	–
Yueyang Hengyang Petrochemical Logistics Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	65	–	35	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Investments in subsidiaries (Continued)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		2016	2015	2016	2015
		%	%	%	%
Held by Deqiao Petrochemical Logistics Pte. Ltd.					
Jiangsu Deqiao Storage Co., Ltd. ⁽²⁾ (PRC)	Storage, dispatch and drumming of liquid and gas petrochemical products	–	29.30	–	15.78
Held by Jiangsu Deqiao Storage Co., Ltd.					
Jingjiang Shuangjiang Ports Co., Ltd. ⁽²⁾ (PRC)	Management of ports terminals	65	65	35	35

Notes:

⁽¹⁾ Audited by BDO LLP, Singapore.

⁽²⁾ Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, People's Republic of China, a member firm of BDO International Limited for consolidation purpose.

At the end of the financial year, the unquoted equity investment on Jiangyin Foreversun Chemical Logistics Co., Ltd., Jiangsu Deqiao Storage Co., Ltd., Jingjiang Shuangjiang Ports Co., Ltd., Wuhan Hengyang Chemical Logistics Co., Ltd., Chongqing New Hengyang Storage Co., Ltd. and Yueyang Hengyang Petrochemical Logistics Co., Ltd. were pledged as securities for bank loans III, VI and third party loan as disclosed in Note 15.

Non-controlling interests

Summarised financial information in relation to the subsidiaries that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, are presented below:

	HHPL	
	2016 RMB'000	2015 RMB'000
Revenue	137,516	212,359
Loss before income tax	(89,691)	(3,580)
Income tax expense	(6,874)	(5,720)
Loss after income tax	(96,565)	(9,300)
Other comprehensive income	–	–
Loss allocated to NCI	(33,798)	(3,255)
Other comprehensive income allocated to NCI	–	–
Total comprehensive income allocated to NCI	(33,798)	(3,255)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Investments in subsidiaries (Continued)

Non-controlling interests (Continued)

	HHPL	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities	(23,443)	34,243
Cash flows used in investing activities	(32,366)	(91,623)
Cash flows generated from/(used in) financing activities	60,647	(18,005)
Net cash outflows	4,838	(75,385)
Assets:		
Current assets	86,349	129,148
Non-current assets	1,695,888	1,729,723
Liabilities:		
Current liabilities	(780,450)	(543,165)
Non-current liabilities	(446,071)	(663,201)
Net assets	555,716	652,505
Accumulated non-controlling interests	194,501	228,377

Significant restrictions

Cash and bank balances of RMB10,650,000 (2015: RMB47,019,000) held with subsidiaries in the PRC are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

8. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - third parties	17,805	31,498	—	—
Notes receivable	504	984	—	—
Prepayments	6,408	4,999	—	29
Deposits for land use rights	8,602	402	—	—
Other deposits	1,532	724	—	23
Staff advances	845	1,260	—	—
Value added tax	18,536	19,994	—	—
Other receivables	2,366	1,139	—	—
	56,598	61,000	—	52

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Trade and other receivables (Continued)

Trade receivables from third parties are unsecured, non-interest bearing and are generally on credit terms ranging from 30 to 90 days (2015: 30 to 90 days) for most customers and 120 to 360 days (2015: 120 to 360 days) for certain customers.

Notes receivable are trade in nature, unsecured, non-interest bearing and mature on 19 June 2017 (2015: at varying dates between 14 January 2016 to 18 June 2016).

Deposits for land use rights are payments made to local authorities in the PRC and the acquisition is expected to complete in the following financial year.

The advances made to staff are unsecured, non-interest bearing and are to be utilised for reimbursement of operating expenses.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	56,468	60,832	–	–
Singapore dollar	14	119	–	52
United States dollar	116	49	–	–
	56,598	61,000	–	52

9. Amount owing by/(to) related parties

Amount owing by related parties

The trade amount owing by related parties are unsecured, non-interest bearing and generally on a credit term of 90 to 180 days. The trade amount is denominated in the following currencies:

	Group	
	2016	2015
	RMB'000	RMB'000
Chinese Renminbi	2,006	3,957
United States dollar	40	220
	2,046	4,177

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Amount owing by/(to) related parties (Continued)

Amount owing by related parties (Continued)

	Group	
	2016	2015
	RMB'000	RMB'000
Current		
- related parties (non-trade)	(62,215)	(62,410)
Non-current		
- a related party (non-trade)	(93,050)	(93,050)
	<u>(155,265)</u>	<u>(155,460)</u>

The current amount owing to related parties is denominated in Chinese Renminbi and unsecured.

The amount consists of:

- (a) RMB25,000,000 (2015: RMB25,000,000) which bears an interest at 6.5% (2015: 6.9%) per annum and repayable by 16 December 2017;
- (b) RMB10,000,000 (2015: Nil) which bears an interest at 15.0% (2015: Nil) per annum and repayable by 31 December 2016. On 10 January 2017, the amount owing to the related party has been extended to be repayable by 31 March 2017. Subsequent to 31 March 2017, there is no further extension and penalty of 0.06% per day will be imposed in accordance with the terms of the agreement in addition to the interest payable; and
- (c) RMB27,215,000 (2015: RMB37,410,000) which is non-interest bearing and repayable on demand.

The non-current amount owing to a related party is denominated in Chinese Renminbi, repayable by 30 June 2023 and early repayment is subject to the approval from the Company's Audit Committee as well as unanimous approval from the board of HHPL. The amount consists of:

- (a) RMB29,500,000 (2015: RMB29,500,000) out of which RMB13,500,000 (2015: RMB13,500,000) is secured by a mortgage over certain of the Group's property, plant and equipment (Note 5). It bears an interest at variable funding cost per annum incurred by the related party; and
- (b) RMB63,550,000 (2015: RMB63,550,000) is unsecured. It bears an interest at 10% above the prevailing prime lending rate per annum set by People's Bank of China.

The fair value of the non-current amount owing to a related party approximates its carrying amount as interest rates are floating interest rates.

10. Amount owing by/(to) subsidiaries

Amount owing by subsidiaries

The non-trade amount is unsecured, non-interest bearing, repayable upon demand and denominated in Chinese Renminbi (2015: Singapore dollar).

Amount owing to a subsidiary

The amount owing to a subsidiary is non-trade in nature, unsecured, non-interest bearing and repayable upon demand. The amount is denominated in Singapore dollar. (2015: Singapore dollar)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	79	104	1	5
Bank balances	10,870	7,187	42	1,215
Fixed deposits	–	41,726	–	–
Cash and cash equivalents per statements of financial position	10,949	49,017	43	1,220
Restricted deposits in bank ⁽¹⁾	–	(41,726)	–	–
Cash and cash equivalents per consolidated statement of cash flows	10,949	7,291	–	–

⁽¹⁾ Restricted deposits in bank are pledged to banks in the PRC.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	10,695	45,007	–	–
Singapore dollar	125	3,889	30	1,208
United States dollar	129	121	13	12
	10,949	49,017	43	1,220

In the previous financial year, the effective interest rates for fixed deposits range from 0.55% to 2.55% per annum and had a tenure of 3 to 12 months.

12. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables – third parties	12,445	19,639	–	–
Notes payable	–	31,705	–	–
Accrued expenses	33,035	459	329	344
Other tax and levy payable	1,330	654	–	–
Amount owing to suppliers of property, plant and equipment	139,002	153,374	–	–
Amount owing to government authority in relation to land use rights	86,550	81,689	–	–
Other payables – third parties	10,908	6,792	2,923	662
	283,270	294,312	3,252	1,006

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Trade and other payables (Continued)

Trade payables from third parties are unsecured, non-interest bearing and generally on 30 to 90 days (2015: 30 to 90 days) credit terms.

Accrued expenses comprise mainly compensation to customers relating to the Deqiao Incident amounting to RMB22,397,000 (2015: Nil). The compensation was derived at net of trade receivables to be collected from those customers and payments made during financial year.

In the previous financial year, notes payable were secured by an equivalent amount of deposits placed in banks and comprised mainly amount owing to suppliers of property, plant and equipment of RMB31,705,000 which were non-trade in nature. These notes payable were non-interest bearing and had maturity dates ranging from 20 February 2016 to 1 March 2016.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	279,388	292,923	–	–
Singapore dollar	3,882	1,389	3,252	1,006
	283,270	294,312	3,252	1,006

13. Amount owing to directors

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current (non-trade)	13,133	10,971	2,509	1,370
Non-current (non-trade)	11,143	11,143	–	–
	24,276	22,114	2,509	1,370

The current amount owing to the directors are unsecured, non-interest bearing and repayable on demand and denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	10,901	10,189	277	588
Singapore dollar	2,232	782	2,232	782
	13,133	10,971	2,509	1,370

The non-current amount owing to a director is denominated in Chinese Renminbi and unsecured. The repayment period has been extended to 30 June 2018 and bears interest at the prevailing prime lending rate per annum set by People's Bank of China.

The fair value of the non-current amount owing to a director approximates its carrying amount as interest rates are floating interest rates.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Amount owing to a former shareholder of a subsidiary

The amount owing to a former shareholder of a subsidiary, Jiangyin Foreversun of RMB4,502,000 is in relation to interest payable on late payment of dividend declared by Jiangyin Foreversun in the previous financial years. The amount is denominated in Chinese Renminbi, non-trade in nature, unsecured, non-interest bearing and repayable on demand.

15. Borrowings

	Note	Group 2016 RMB'000	2015 RMB'000
Bank and other loans (secured)			
- Bank loan I	(a)	260,000	300,000
- Bank loan II	(b)	6,900	6,900
- Bank loan III	(c)	178,073	195,350
- Bank loan IV	(d)	79,000	85,000
- Bank loan V	(e)	38,000	39,500
- Bank loan VI	(f)	65,560	68,560
- Bank loan VII	(g)	38,000	18,000
- Bank loan VIII	(h)	20,000	-
- Third party loan	(i)	54,107	-
		<u>739,640</u>	<u>713,310</u>
Carrying amounts repayable:			
- Within one financial year		596,180	171,200
- After one financial year but within five financial years		143,460	542,110
		<u>739,640</u>	<u>713,310</u>

- (a) Bank loan I is repayable progressively over 8 years till December 2020, 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, Jiangyin Golden Bridge Chemical Co., Ltd. ("Jinqiao Chemical"), and the personal guarantees furnished by the Company's Executive Chairman and Chief Executive Officer ("Chairman") and his spouse. In addition, this loan is secured by mortgages against the Group's property, plant and equipment (Note 5) and land use rights (Note 6). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan is repayable by semi-annual instalments commencing 17 June 2014. During the financial year, repayments of RMB40,000,000 to the bank were due. The Group had obtained written agreement from the bank to defer repayment to year 2020 before the end of the financial year.
- (b) Bank loan II is repayable from July 2013 to July 2019, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jiangsu Deqiao Storage Co., Ltd. ("Jiangsu Deqiao"). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan is repayable by semi-annual instalments commencing 31 July 2013.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Borrowings (Continued)

- (c) Bank loan III is repayable from June 2014 to March 2020, 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 the mortgages against the Group's property, plant and equipment (Note 5), land use rights (Note 6) and the entire equity interest of Wuhan Hengyang owned by HHPL (Note 7). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan is repayable by quarterly instalments commencing 27 June 2014. During the financial year, the Group had not met certain instalment repayments and did not obtain a written deferred repayment agreement. As such, the non-current portion of this loan had been reclassified as current liabilities.
- (d) Bank loan IV is repayable from June 2014 to December 2020, secured by corporate guarantees furnished by the Company's subsidiary, Jiangyin Foreversun and the personal guarantee furnished by the Chairman. In addition, this loan is also secured by mortgages against the Group's property, plant and equipment (Note 5) and land use rights (Note 6). The interest shall be computed based on 5% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan is repayable by semi-annual instalments commencing 10 June 2014.
- (e) Bank loan V is repayable from December 2015 to June 2018, secured by corporate guarantees furnished by the Company's subsidiary, Jiangyin Foreversun and the personal guarantee furnished by the Chairman and his spouse. In addition, this loan is also secured by mortgages against the jetties of Yueyang Hengyang Petrochemical Logistics Co., Ltd ("Yueyang Hengyang") (Note 5). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan is repayable by semi-annual instalments commencing 28 December 2015.
- (f) Bank loan VI is repayable from December 2015 to August 2019, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jiangsu Deqiao, and the personal guarantees furnished by the Chairman and his spouse. In addition, this loan is also secured by mortgages against the jetties of Chongqing New Hengyang Storage Co., Ltd. (Note 5) and the entire equity interest of Chongqing New Hengyang Storage Co., Ltd. owned by HHPL (Note 7). The interest shall be computed based on 10% above the prevailing prime lending rate per annum set by People's Bank of China. The bank loan is repayable by quarterly instalments commencing 20 December 2015. During the financial year, repayments of RMB16,000,000 to the bank were due. The Group had obtained written agreement from the bank to defer repayment to year 2020 before the end of financial year.
- (g) Bank loan VII bears interest at 6.00% (2015: 6.35%) interest per annum, repayable in August 2017 (2015: July 2016) and secured by the Group's property, plant and equipment as disclosed in Note 5 and land use rights (Note 6).
- (h) Bank loan VIII bears interest at 5.87% interest per annum, repayable in February 2017 and secured by corporate guarantees furnished by the Company and its subsidiary, Jiangyin Foreversun and the personal guarantees furnished by the Chairman.
- (i) Third party loan bears interest at 20% above the prevailing prime lending rate per annum set by People's Bank of China, repayable in June 2017 and secured by second mortgages against the Group's PRC subsidiaries' property, plant and equipment and its equity interest in Jiangyin Foreversun, Jiangsu Deqiao, Yueyang Hengyang and Jingjiang Shuangjiang (Note 7).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Borrowings (Continued)

The loans are denominated in Chinese Renminbi and the effective interest rates per annum are as follows:

	2016 %	2015 %
Current portion	5.15 – 6.46	5.50 – 7.80
Non-current portion	5.15 – 6.77	5.50 – 7.21

Reclassification of non-current liabilities to current liabilities

The Group has not met certain scheduled repayment in respect of quarterly instalments of RMB26,423,000 during the financial year under Bank Loan III. Since the Group was unable to obtain formal acknowledgement from the bank to defer payments, non-current bank borrowings of RMB103,250,000 has been reclassified as current liabilities.

Breach of bank loan covenants

The Group has a secured bank loan facility amounting to RMB260,000,000 as at 31 December 2016 with a bank. This loan contains covenants stating that Jiangsu Deqiao Storage Co., Ltd. ("Jiangsu Deqiao") shall maintain a minimum net asset value of RMB220,000,000 and gearing ratio cannot exceed 0.7 times.

As at 31 December 2016, Jiangsu Deqiao's net asset value and gearing ratio were RMB189,659,000 and 0.74 times respectively. The bank could therefore demand immediate repayment of the amount of RMB260,000,000 recorded under borrowings. Accordingly, the non-current portion of bank loan amounting to RMB180,000,000 has been reclassified as current liabilities.

16. Deferred tax liabilities

	Group	
	2016 RMB'000	2015 RMB'000
Balance as at 1 January	16,899	15,003
Charged to profit or loss (Note 26)	1,519	1,896
Balance as at 31 December	18,418	16,899

The balance comprises tax on excess of carrying amount over tax written down value of qualifying property, plant and equipment.

Under the Law of PRC, withholding tax of 5% (2015: 5%) is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated statement of comprehensive income in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as at 31 December 2016 and 2015 amounting to approximately RMB134,310,000 and RMB124,422,000 respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Share capital

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		RMB'000	RMB'000
Issued and fully paid				
Balance at beginning and end of financial year	203,461,883	203,461,883	289,064	289,064

The Company has one class of ordinary shares which carried no right to fixed income. All ordinary shares carry one vote per share without restriction and have no par value.

The holders of ordinary shares (excluding treasury shares, if any) are entitled to receive dividends as declared from time to time. All shares (excluding treasury shares, if any) rank equally with regards to the Company's residual assets.

18. Statutory common reserve

According to the current PRC Company Law, the PRC companies are required to transfer between 5% and 10% of its profit after income tax to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the amount to be transferred to this reserve, the profit after income tax shall be the amount determined based on the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous financial years' losses and for conversion to capital provided that the balance remains not less than 25% of the registered capital.

19. Other reserve

Other reserve arose from dilution of equity interest in subsidiaries, HHPL and GB Transportation, as a result of the new shares to non-controlling shareholders. The transactions did not result in a loss in control.

20. Foreign currency translation account

The foreign currency translation account comprises all foreign exchange differences arising from the translation of foreign operations. Movement in this account is set out in consolidated statement of changes in equity.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Revenue

Revenue representing the storage, dispatch, drumming of liquid petrochemical products and provision of land transportation service is detailed as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Service fee	76,423	83,184
Transportation fee	61,093	129,175
	<u>137,516</u>	<u>212,359</u>

22. Other income

	Group	
	2016	2015
	RMB'000	RMB'000
Interest income from bank deposits	364	122
Government incentives	4,967	681
Gain on disposal of property, plant and equipment	–	2
Sundry income	1,891	1,658
	<u>7,222</u>	<u>2,463</u>

During the financial year, government incentives mainly relates to compensation received made for Chongqing New Hengyang Storage Co., Ltd.'s loss on opportunity costs on deposits made for acquisition of land use rights paid to the Chongqing's local authorities in the prior financial years of RMB3,000,000 (2015: Nil) and an incentive award by Jiangyin's local authorities received for Jiangyin Golden Bridge Transportation Co., Ltd.'s provision of logistics services along the Yangtze River of RMB1,688,000 (2015: Nil).

Sundry income includes sale of scrap of RMB856,000 (2015: Nil), service fee of RMB298,000 (2015: RMB550,000) received from the local Port Authority for collecting port fees from customers on behalf of the Authority and railway management fee of Nil (2015: RMB796,000).

23. Finance costs

	Group	
	2016	2015
	RMB'000	RMB'000
Interest expense		
- borrowings	41,918	50,623
- a director	529	602
- related parties	6,989	6,072
	<u>49,436</u>	<u>57,297</u>
Amount capitalised in construction-in-progress (Note 5)	(32,985)	(52,086)
	<u>16,451</u>	<u>5,211</u>

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Loss before income tax

The above has been arrived at after charging/(crediting):

	Group	
	2016	2015
	RMB'000	RMB'000
Audit fees paid to		
- auditor of the Company	477	425
- other auditors	400	360
Non-audit fees paid to		
- auditor of the Company	20	7
- other auditors	277	357
Amortisation of land use rights	1,987	1,137
Compensation to customers	36,803	–
Cleaning up expenses	9,608	–
Depreciation of property, plant and equipment	39,675	26,206
Employee benefit costs (including of directors' fees)	36,762	31,168
Foreign exchange (gain)/loss, net	(35)	448
Loss/(Gain) on disposal of property, plant and equipment	165	(2)
Loss on property, plant and equipment written off (Note 5)	11,072	7,629
Other taxes and levies ⁽¹⁾	1,330	4,387
Operating lease rental	258	295
Penalty	1,000	–

⁽¹⁾ Other taxes and levies relate to property tax, land use tax, educational tax and stamp duty.

An industrial fire had occurred at the storage facility of Jiangsu Deqiao Storage Co., Ltd ("Deqiao Facility") on 22 April 2016. The accident was directly caused by the failure of the third party contractor of Jiangsu Deqiao Storage Co., Ltd., ("Jiangsu Deqiao") to adhere to certain safety procedures prior to engaging in welding work on the pipeline at exchange terminal Number 2 ("Exchange Terminal") of the Deqiao Facility. The accident had destroyed the Exchange Terminal and damaged three of its surrounding storage tanks as well as the petrochemical products of its customers that were stored in those tanks. Deqiao Facility has a total of 139 petrochemical storage tanks and despite the destruction was limited to a fraction of the Deqiao Facility, the operating license was temporary suspended by the authority for six months until October 2016. At the date of the financial statements, Jiangsu Deqiao has not resumed its operations as it is still preparing the facilities for rebuilding. The losses arising from this incident comprise mainly compensation to customers and loss on property, plant and equipment written-off as disclosed above. Management has completed the assessment of quantifying the losses arising from this accident and there are no further claims or contingent liabilities that could result in probable obligations required to be settled by the Group for the financial year ended 31 December 2016.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Employee benefit costs

	Directors' remuneration RMB'000	Other key management personnel RMB'000	Other staff RMB'000	Total RMB'000
Group				
2016				
Directors' fees				
- Directors of the Company	1,236	–	–	1,236
Salaries and related costs	1,543	1,449	35,017	38,009
Defined contribution plans	87	60	5,375	5,522
	<u>2,866</u>	<u>1,509</u>	<u>40,392</u>	<u>44,767</u>
2015				
Directors' fees				
- Directors of the Company	1,157	–	–	1,157
Salaries and related costs	1,496	1,340	31,409	34,245
Defined contribution plans	74	29	4,396	4,499
	<u>2,727</u>	<u>1,369</u>	<u>35,805</u>	<u>39,901</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Directors and certain general managers are considered key management personnel.

	Group	
	2016	2015
	RMB'000	RMB'000
Employee benefit costs charged to:		
- Cost of sales	14,711	10,682
- Administrative and other expenses	22,051	20,486
	<u>36,762</u>	<u>31,168</u>
- Capitalised in construction-in-progress	8,005	8,733
	<u>44,767</u>	<u>39,901</u>

26. Income tax expense

	Group	
	2016	2015
	RMB'000	RMB'000
Current income tax	4,976	3,502
Deferred tax (Note 16)	1,519	1,896
	<u>6,495</u>	<u>5,398</u>
Under-provision of current income tax in respect of prior year	379	322
	<u>6,874</u>	<u>5,720</u>

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. Income tax expense (Continued)

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the PRC's statutory rate of income tax of 25% (2015: 25%) on the Group's profits as a result of the following:

	Group	
	2016	2015
	RMB'000	RMB'000
Loss before income tax	(94,580)	(7,690)
Tax at statutory rate	(23,645)	(1,923)
Tax effect of different tax rate in other country	382	483
Tax effect on cost of commissioning after deducting net proceeds during trial operations	5,264	4,402
Tax effect on non-deductible expenses	1,823	1,626
Tax effect of income not subject to tax	(244)	(15)
Deferred tax asset not recognised for current financial year	24,540	2,743
Utilisation of prior year's unrecognised deferred tax assets	(1,625)	(1,934)
Under-provision of current income tax in respect of prior year	379	322
Others	–	16
	6,874	5,720

Unrecognised deferred tax assets

	Group	
	2016	2015
	RMB'000	RMB'000
Balance at beginning of financial year	20,920	20,111
Expired during the financial year	(1,582)	–
Utilised during the financial year	(1,625)	(1,934)
Amount not recognised during financial year	24,540	2,743
Tax effect of different tax rate in other country	28	–
Balance at end of financial year	42,281	20,920

Unrecognised deferred tax assets are attributable to unutilised tax losses of approximately RMB169,122,000 (2015: RMB83,680,000), which are available for offset against future profits and RMB168,777,000 (2015: RMB83,391,000) will expire in 2017 to 2021 (2015: 2016 to 2020). The unutilised losses are subject to the agreement by relevant tax authorities.

The deferred tax assets have not been recognised in respect of the unutilised tax losses as there is no certainty that future profits will be available against which the Group can utilise the benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements in accordance with the accounting policy of the Group.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Loss per share

The calculation for loss per share is based on:

	Group	
	2016	2015
Loss after income tax attributable to owners of the parent (RMB'000)	(67,801)	(10,423)
Actual number of ordinary shares in issue during the financial year applicable to basic loss per share ('000)	203,462	203,462
Loss per share (in cents)		
- Basic	(33.32)	(5.12)
- Diluted	(33.32)	(5.12)

Basic loss per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted loss per share is equivalent to basic loss per share for the financial year.

28. Commitments

28.1 Capital commitments

As at the end of the financial year, the Group had capital commitment in respect of acquisition of property, plant and equipment of approximately Nil (2015: RMB5,011,000) that had been contracted but not provided for.

28.2 Operating lease commitments

At the end of the financial year, the commitments in respect of non-cancellable operating leases for rental of premises and equipment were as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Future minimum lease payments payable:		
Within one financial year	231	223
After one year but within five financial years	76	195
	307	418

The Group leases a number of premises and equipment under operating leases. Leases are negotiated for an average term of 1 to 5 years (2015: 1 to 5 years) and rentals are fixed for an average of 1 to 5 years (2015: 1 to 5 years). These leases have no escalation clauses, restriction and do not provide contingent rents. There are options to renew the agreements for the above operating leases.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Commitments (Continued)

28.3 Contingent liabilities

As at 31 December 2016, the Company had given guarantees amounting to RMB20,000,000 (2015: Nil) to a bank in respect of banking facilities granted to a subsidiary. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the bank if the subsidiary to which the guarantees were extended fails to make principal or interest repayments when due in accordance with the terms of the borrowing. There has been no default or non-repayment since the utilisation of the banking facility.

The Company has not recognised any liability in respect of the guarantees given to the bank for banking facilities granted to the subsidiary as the Directors of the Company have assessed that the likelihood of the subsidiary defaulting on repayment of its loan is remote.

29. Significant related party transactions

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	2016 RMB'000	2015 RMB'000
Group		
<i>Sales to related parties</i>	9,918	11,057
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	9,302	9,896
- Shanghai Kangyang Petrochemical Co., Ltd. (Note (b))	431	725
- Jiangyin Saisheng New Material Co., Ltd. (Note (b))	–	224
- Golden Hope Industrial Co., Ltd. (Note (c))	185	212
<i>Interest expense charged by related parties</i>	7,518	6,674
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	5,264	6,000
- Wuhan Kangyang Petrochemical Co., Ltd. (Note (b))	1,725	72
- Gu Wen Long	529	602
<i>Issuance of shares of a subsidiary to a related party</i>		
- Wuxi Jinfan Investment Management Limited Partnership (Note 7) (Note (d))	–	3,800
Company		
<i>Loan from a subsidiary</i>		
- Hengyang Holding Pte. Ltd.	–	4,782

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Significant related party transactions (Continued)

- (a) This relates mainly to provision of petrochemical storage services and land transport services to Jinqiao Chemical, a company established and wholly-owned by Ms Sun Fang, the spouse of the Company's Chairman and Chief Executive Officer, Mr Gu Wen Long.
- (b) Shanghai Kangyang Petrochemical Co., Ltd., Wuhan Kangyang Petrochemical Co., Ltd. and Jiangyin Saisheng New Material Co., Ltd. are controlled by Jinqiao Chemical.
- (c) Golden Hope Industrial Co., Ltd. is controlled by Mr Gu Wen Long.
- (d) Wuxi Jinfan Investment Management Limited Partnership, a limited partnership incorporated in the PRC with Mr Gu Wen Long being the general partner.

The outstanding balances with related parties are disclosed in the respective notes to the financial statements.

30. Segment information

The Group is organised into business units based on their services, and has three reportable operating segments as follows:

- (a) The service segment is in the business of storage, dispatch and drumming of liquid petrochemical products.
- (b) The transportation segment is in the business of providing land transportation services.
- (c) The development stage segment comprises companies which have not commenced operations except for construction-in-progress.
- (d) The others segment includes the Group's remaining investment holding entities which are not included within reportable segments as they are insignificant entities of the Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from net profit or loss in the consolidated financial statements.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operation is presented.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Segment information (Continued)

	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)	(4,049)	5,109	5,683	(2,772)	(5,213)	(4,778)	(6,087)	5,968	7,065	(78,493)	(2,601)
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)	(7,690)
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)	(13,410)
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 liabilities	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	8,524	54,628	-	-	5,533	6,430	23,138	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	1,987	1,137	-	-	-	-	-	-	-	-	1,987	1,137
Loss on property, plant and equipment written off	-	-	-	-	11,072	7,629	-	-	-	-	11,072	7,629

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Segment information (Continued)

Reportable segments assets are reconciled to total assets as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Segment assets	1,765,492	1,843,939
Current income tax recoverable	–	172
Total assets	1,765,492	1,844,111

Reportable segments liabilities are reconciled to total liabilities as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Segment liabilities	1,206,953	1,189,698
Deferred tax liabilities	18,418	16,899
Current income tax payable	6,141	1,855
Total liabilities	1,231,512	1,208,452

Major customer

The revenue from a customer of the Group's service and transportation segment represent approximately RMB30,638,000 (2015: RMB90,152,000).

31. Financial risk management objectives and policies

The Group's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposures to these financial risks or the manner in which they manage and measure these risks. The Group does not hold or issue a derivative financial instrument for trading purpose or to hedge against fluctuation, if any, in interest rates and foreign exchange rates.

31.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Financial risk management objectives and policies (Continued)

31.1 Interest rate risk (Continued)

The Group's interest rate risk arises mainly from borrowings, amount owing to a director, amount due from a related party and loan from a third party. The interest rates and terms of repayment of non-current amount owing to a related party, amount owing to a director and borrowings are disclosed in Notes 9, 13 and 15 respectively. It is the Group's policy not to enter into derivative contracts to hedge its interest rate risk. The Group obtained quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

At the end of the financial year, if borrowing interest rates had been 50 basis points (2015: 50 basis points) lower/higher with all other variables held constant, the Group's profit would have been RMB1,183,000 (2015: RMB229,000) higher/lower arising from lower/higher interest expense.

31.2 Foreign currency risk

Currency risk arises from transactions denominated in currencies other than the functional currency of the entities within the Group. The Group is exposed to Singapore dollar and United States dollar. The Group does not use any derivative financial instruments to hedge these exposures.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year were as follows:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Monetary assets				
Singapore dollar	17,228	30,675	30	1,522
United States dollar	285	390	13	12
	<u>17,513</u>	<u>31,065</u>	<u>43</u>	<u>1,534</u>
Monetary liabilities				
Singapore dollar	(23,203)	(28,920)	(22,283)	(17,844)

The Group and Company is mainly exposed to Singapore dollar ("SGD").

The following table details the Group's and Company's sensitivity to a 5% (2015: 5%) change in SGD against RMB. The sensitivity analysis assumes an instantaneous 5% (2015: 5%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, denominated in SGD are included in the analysis. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Financial risk management objectives and policies (Continued)

31.2 Foreign currency risk (Continued)

	◀ Increase/(Decrease) in Profit or Loss ▶			
	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
SGD				
Strengthens against RMB	(299)	88	(1,113)	(816)
Weakens against RMB	299	(88)	1,113	816

31.3 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	2016	2015
	RMB'000	RMB'000
Corporate guarantees provided to bank for a subsidiary's banking facilities utilised as at the end of financial year	20,000	–

The earliest period that the guarantee could be called is within one year from the end of the financial year. Based on assessment at the end of the financial year, the Company considers that it is more likely than not that no amount will be payable under the arrangement (Note 28.3). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics as at the end of financial year.

The Company does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the amount owing by a subsidiary amounting to RMB764,000 (2015: RMB285,000) respectively as at the end of financial year.

The Group's and Company's major classes of financial assets are bank deposits and trade receivables. Bank deposits are mainly deposits with banks with reputable banks.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Financial risk management objectives and policies (Continued)

31.3 Credit risk (Continued)

The ageing analysis of trade receivables due from third parties and related parties past due but not impaired is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Past due over 1 month but less than 3 months	–	742
Past due over 3 months	79	–

31.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group manages its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner. The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Effective interest rate %	Within 1 year RMB'000	After 1 year but within 5 years RMB'000	After 5 years RMB'000	Total contractual undiscounted cash flow RMB'000
Group					
As at 31 December 2016					
Trade and other payables, excluding other tax and levy payable	–	281,940	–	–	281,940
Amount owing to related parties	5.39 – 15.00	65,340	–	115,314	180,654
Amount owing to directors	4.75	13,133	11,672	–	24,805
Amount owing to a former shareholder of a subsidiary	–	4,502	–	–	4,502
Borrowings	5.15 – 6.77	608,185	155,081	–	763,266
		973,100	166,753	115,314	1,255,167
As at 31 December 2015					
Trade and other payables, excluding other tax and levy payable	–	293,658	–	–	293,658
Amount owing to related parties	5.39 – 7.31	64,373	7,851	123,849	196,073
Amount owing to directors	4.75	10,971	12,466	–	23,437
Amount owing to a former shareholder of a subsidiary	–	4,502	–	–	4,502
Borrowings	5.15 – 6.35	205,027	592,591	–	797,618
		578,531	612,908	123,849	1,315,288

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Financial risk management objectives and policies (Continued)

31.4 Liquidity risk (Continued)

The Company's financial liabilities mature within one year and are non-interest bearing.

The Company has given a financial guarantee for a subsidiary's bank loan of RMB20,000,000 (2015: Nil) which represents the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be call upon in the contracted maturity analysis.

32. Fair values of financial assets and financial liabilities

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the financial year due to the relatively short-term maturity of these financial instruments.

The fair values of non-current financial liabilities that are not carried at fair value in relation to amount owing to a related party, amount owing to a director and borrowings are determined using discounted cash flow pricing models. As at end of the financial year, the fair values of the non-current financial liabilities approximate their carrying amounts as the interest rates are floating interest rates.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost, which approximate their fair value, are detailed in the following table:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Trade and other receivables, excluding prepayments and value added tax	31,654	36,007	–	23
Amount owing by related parties	2,046	4,177	–	–
Amount owing by subsidiaries	–	–	769	291
Cash and cash equivalents	10,949	49,017	43	1,220
Total loans and receivables	44,649	89,201	812	1,534
Financial liabilities				
Trade and other payables, excluding other tax and levy payable	281,940	293,658	3,252	1,006
Amount owing to related parties	155,265	155,460	–	–
Amount owing to directors	24,276	22,114	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	–	–
Borrowings	739,640	713,310	–	–
Total financial liabilities at amortised cost	1,205,623	1,189,044	22,560	18,432

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Capital management

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings/(accumulated losses).

The Group's objectives when managing capital are:

- (a) to safeguard the Group's ability to continue as a going concern;
- (b) to support the Group's stability and growth; and
- (c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities excluding current tax payable and deferred tax liabilities less cash and cash equivalents. Total capital is calculated as equity attributable to equity holders of the Company plus net debt.

As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2015.

	Group	
	2016	2015
	RMB'000	RMB'000
Net debt	1,196,004	1,140,681
Equity attributable to equity holders of the Company	337,620	405,421
Total capital	1,533,624	1,546,102
Gearing ratio (%)	78	74

A subsidiary of the Group is required by a bank to maintain the following financial covenants:

- (a) a gearing ratio not exceeding 70% (2015: 70%); and
- (b) a minimum tangible net assets not less than RMB220 million (2015: RMB220 million).

As disclosed in Note 18, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory common reserve.

Other than above, there is no other externally imposed capital requirements to the Group for the financial years ended 31 December 2016 and 2015.

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Events after reporting period

On 19 March 2017, the Group announced that the Company's 65% owned subsidiary, Hengyang Holding Pte. Ltd. ("HHPL") has on 17 March 2017 entered into the agreements involving an investment in Jiangyin Foreversun Chemical Logistics Co., Ltd. ("Jiangyin Foreversun") by CITIC Port Investment Co., Ltd. ("CITIC Port").

The transaction documents ("Transaction Documents") comprise of (i) a subscription agreement and between HHPL and CITIC Port; (ii) an equity transfer agreement between HHPL and CITIC Port; and (iii) the grant of an option ("Option") to subscribe for 2% of the equity interest in Jiangyin Foreversun to CITIC Port.

The proposed transactions ("Proposed Transactions") contemplated in the Transaction Documents comprised of the following:

- (a) The issue of equity interest in Jiangyin Foreversun and subscription of 37.2% of the enlarged equity interest in Jiangyin Foreversun by CITIC Port for an aggregate consideration of RMB450,000,000 (the "Proposed Issue");
- (b) Concurrently with the completion of the Proposed Issue, the disposal of 11.8% equity interest in Jiangyin Foreversun held by HHPL to CITIC Port for an aggregate consideration of RMB142,900,000 (the "Proposed Disposal"), such that the shareholders of Jiangyin Foreversun will comprise (i) HHPL holding 51% of the equity interest in Jiangyin Foreversun and (ii) CITIC Port holding 49% of the equity interest in Jiangyin Foreversun upon the completion of the Proposed Issue and the Proposed Disposal("Completion"); and
- (c) Subject to the Completion, the grant of an Option to subscribe for 2% of the equity interest in Jiangyin Foreversun to CITIC Port for an aggregate consideration not exceeding RMB50,000,000. The exercise date of the Option shall be any date within one year period after the expiration of two year from the date of Completion of the Proposed Issue and the Proposed Disposal.

In connection with the Proposed Transactions, HHPL, CITIC Port and Jiangyin Foreversun will be entering into a Shareholders Agreement to regulate the affairs of Jiangyin Foreversun and to govern the respective rights of the HHPL and CITIC Port as shareholders of Jiangyin Foreversun.

Statistics of Shareholdings

AS AT 22 MARCH 2017

NO. OF ISSUED SHARES	:	203,461,883
NO. OF TREASURY SHARES	:	0
NO. OF SUBSIDIARY HOLDINGS ⁽¹⁾	:	0
PERCENTAGE OF TREASURY SHARES AND SUBSIDIARY HOLDINGS ⁽²⁾	:	0.00%
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE

Note:

⁽¹⁾ “Subsidiary Holdings” means any Issued Shares of the Company held by its subsidiaries (as referred to in the Companies Act, Chapter 50 of Singapore).

⁽²⁾ Percentage calculated against the total number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	151	44.02	2,125	0.00
100 – 1,000	43	12.54	24,443	0.01
1,001 – 10,000	64	18.66	258,624	0.13
10,001 – 1,000,000	72	20.99	9,157,886	4.50
1,000,001 AND ABOVE	13	3.79	194,018,805	95.36
TOTAL	343	100	203,461,883	100

Statistics of Shareholdings

AS AT 22 MARCH 2017

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES	%
1	FOREVERSUN HOLDINGS CO., LTD.	94,100,000	46.25
2	INTEGRATED LOGISTICS (HK) LTD.	52,500,000	25.80
3	CITIBANK NOMINEES SINGAPORE PTE LTD.	20,000,000	9.83
4	RAFFLES NOMINEES (PTE) LTD.	9,704,700	4.77
5	OCBC SECURITIES PRIVATE LTD.	3,668,005	1.80
6	LUAN YING	2,583,600	1.27
7	CHIN BAY CHING	2,400,000	1.18
8	XIE YU	1,950,000	0.96
9	WANG WEIZHONG	1,750,000	0.86
10	LI YI	1,700,000	0.84
11	HONG LEONG FINANCE NOMINEES PTE LTD.	1,350,000	0.66
12	FU XINRONG	1,250,000	0.61
13	OILTANKING ASIA PACIFIC PTE LTD.	1,062,500	0.52
14	ABN AMRO CLEARING BANK N.V.	956,700	0.47
15	JIANG JIAN	771,750	0.38
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	607,195	0.30
17	DBS NOMINEES (PRIVATE) LIMITED	510,180	0.25
18	DIONG TAI PEW	475,300	0.23
19	CHOW CHIN YANN	396,250	0.19
20	TAY GUAN KEE	382,000	0.19
TOTAL		198,118,180	97.36

Note:

⁽¹⁾ Foreversun Holdings Co., Ltd. is holding 20,000,000 shares of the Company through Citibank Nominees Singapore Pte Ltd.

Statistics of Shareholdings

AS AT 22 MARCH 2017

Name of Substantial Shareholder	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Foreversun Holdings Co., Ltd. ⁽¹⁾	114,100,000	56.08	–	–
Integrated Logistics (H.K.) Ltd. ⁽²⁾	52,500,000	25.80	–	–
Gu Wen Long ⁽³⁾	–	–	114,100,000 ⁽³⁾	56.08

Note:

1. Of the 114,100,000 shares of the Company in which Foreversun Holdings Co., Ltd. has an interest, 20,000,000 shares are held through Citibank Nominees Singapore Pte Ltd.
2. Mr Tee Tuan Sem, the Executive Vice Chairman of the Company, is the chief executive officer of Integrated Logistics Bhd (“**ILB**”), a logistics company listed on Bursa Malaysia. ILB has a 70% indirect effective equity interest in Integrated Logistics (H.K.) Ltd. (“**ILHK**”). ILHK is an investment holding company, incorporated in Hong Kong, with investments in logistics businesses in the People’s Republic of China. The other 30% of ILHK is owned by Shun Hing China Investment Limited, an investment holding company that is indirectly owned by the family of Mr David Mong Tak-yeung and the estate of Dr William Mong Man-Wai. Mr David Mong Tak-yeung is not related to any of the Directors.
3. Mr Gu Wen Long owns the entire issued share capital of Foreversun Holdings Co., Ltd. and is therefore deemed interested in the shares of the Company held by Foreversun Holdings Co., Ltd. by virtue of Section 7 of the Company Act, Cap. 50.

Rule 723 of SGX-ST

Based on the above information and to the best knowledge of the Directors and Substantial Shareholders of the Company, 16.93% of the issued shares of the Company are held by the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hengyang Petrochemical Logistics Limited (the “Company”) will be held at Violet Room, The Chevrons, 48 Boon Lay Way Singapore 609961, on 28 April 2017 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

To consider and, if deemed fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016, together with the Directors’ Statement and Report of the Auditors thereon. (Resolution 1)
2. To re-elect Mr Xie Yu being a Director who retires pursuant to Article 91 of the Constitution of the Company, and who, being eligible, is offering himself for re-election. **[Explanatory Note (1)]** (Resolution 2)
3. To re-elect Mr Ho Chew Thim being a Director who retires pursuant to Article 91 of the Constitution of the Company, and who, being eligible, is offering himself for re-election. **[Explanatory Note (2)]** (Resolution 3)
4. To approve the payment of Directors’ Fees of S\$255,700 for the financial year ending 31 December 2017. **[Explanatory Note (3)]** (Resolution 4)
5. To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors of the Company to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS:

To consider and if deemed fit to pass the following Ordinary Resolutions with or without modifications:

6. SHARE ISSUE MANDATE

THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”) and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- I. (a) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (b) make or grant offers, agreements or options (collectively, “**Instruments**”) that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

Notice of the Annual General Meeting

- II. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance to any Instruments made or granted by the Directors while this Resolution was in force, provided that:-
- (a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed one hundred percent (100%) of the total number of the issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);
 - (b) (subject to such calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of the issued share capital shall be calculated based on the total number of the issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of the Instruments;
 - (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the share options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue, consolidated or subdivision of shares;
 - (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
 - (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **[Explanatory Note (4)]** **(Resolution 6)**

7. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

THAT approval be and is hereby given:

- (1) for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (Section B: Rules of Catalist) (the "**Listing Manual**"), for the Company and any of its subsidiaries and associated companies that are deemed an entity at risk as defined in Chapter 9 of the Listing Manual, to enter into any of the transactions falling within the types of Interested Person Transactions, as set out in the Appendix to the Annual Report for the financial year ended 31 December 2016 (the "**Appendix**") with any party who is of the class of the Interested Persons described in the Appendix provided that such transactions are carried out in the ordinary course of business, on normal commercial terms and in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Appendix (the "**Shareholders' Mandate**");
- (2) the Shareholders' Mandate shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by laws to be held, whichever is the earlier; and

Notice of the Annual General Meeting

- (3) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution. **[Explanatory Note (5)]** **(Resolution 7)**

8. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

By Order of the Board

Yap Lian Seng
Company Secretary

Singapore, 13 April 2017

Explanatory Notes:

- (1) **Resolution 2** — Mr Xie Yu, if re-elected, will remain as the Non-Executive Director of the Company.
- (2) **Resolution 3** — Mr Ho Chew Thim, if re-elected, will remain as the Independent Director of the Company and the chairman of the Nominating Committee.
- (3) **Resolution 4** — Is to facilitate payment of Directors' fees during the financial year in which the fees are incurred. The Directors' fees will be paid half-yearly in arrears. The aggregate amount of Directors' fees provided in the Resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending 31 December 2017 ("FY2017"). Should any Director hold office for only part of FY2017 and not the whole of FY2017, the Director's fee payable to him will be appropriately pro-rated.
- (4) **Resolution 6** — Is to empower the Directors to issue shares and/or Instruments (as defined above) in the capital of the Company. The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company with a sub-limit of 50% for shares issued other than on a pro-rata basis to shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to the said Resolution). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the total number of issued shares (excluding treasury shares) at the time of the passing of Resolution 6, after adjusting for (i) new shares arising from the conversion or exercise of the Instruments; (ii) new shares arising from exercising share options or vesting share awards outstanding or subsisting at the time of passing of this Resolution provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.
- (5) **Resolution 7** — For further details, please refer to the Appendix.

Notes:

1. (a) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend, speak and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (b) A member (who is a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend, speak and vote in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy.

Notice of the Annual General Meeting

4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he deems fit.
5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
6. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.
7. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50).
8. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
9. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 200807923K)

PROXY FORM — ANNUAL GENERAL MEETING

1. For investors who have used their CPF monies to buy shares in the capital of HENGYANG PETROCHEMICAL LOGISTICS LIMITED, this report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, _____ (name) of _____
_____ (address) being a member/members of
HENGYANG PETROCHEMICAL LOGISTICS LIMITED (the “Company”), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing *him/her, the Chairman of the Annual General Meeting, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at **Violet Room, The Chevrons, 48 Boon Lay Way Singapore 609961, on 28 April 2017 at 10:00 a.m.** and at any adjournment thereof.

(Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting)

	ORDINARY BUSINESS	For	Against
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016, together with the Directors’ Statement and Report of the Auditors thereon.		
Resolution 2	To re-elect Mr Xie Yu, a Director who retires pursuant to Article 91 of the Constitution of the Company.		
Resolution 3	To re-elect Mr Ho Chew Thim, a Director who retires pursuant to Article 91 of the Constitution of the Company.		
Resolution 4	To approve the payment of Directors’ Fees of S\$255,700 for the financial year ending 31 December 2017.		
Resolution 5	To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors of the Company to fix their remuneration.		
	SPECIAL BUSINESS		
Resolution 6	To approve and adopt the Share Issue Mandate.		
Resolution 7	To approve and adopt the Shareholders’ Mandate for Interested Person Transactions.		

Dated this _____ day of _____ 2017

Total Number of Shares held in :

CDP Register	
Register of Members	

Signature(s) of members(s) or Common Seal

* Delete where applicable

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
 2.
 - (a) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend, speak and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
 - (b) A member (who is a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend, speak and vote in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- “Relevant intermediary” has the meaning ascribed to it in Section 181(6) of the Companies Act, Cap. 50, of Singapore.
3. A proxy need not be a member of the Company.
 4. Where a member appoints more than one (1) proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy.
 5. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he thinks fit.
 6. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
 7. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.
 8. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
 9. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
 10. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding of the Annual General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Contact Details 联系方式

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1 Hengyang Road, Shizhuang Industrial Park,
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Jingjiang Shuangjiang Ports Co., Ltd

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