

恒阳

Hengyang Petrochemical Logistics Limited



Advancing Our Value

ANNUAL REPORT 2014

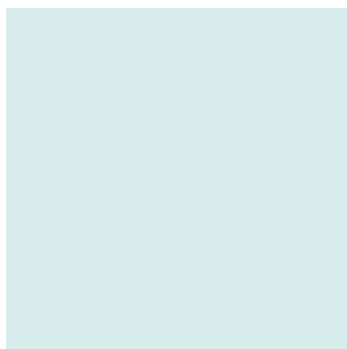
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Corporate Profile

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 liquid and gas petrochemicals such as acetic acid, phenol, acetone, styrene, methanol, monoethylene 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 client base of domestic and international customers, a majority of which are petrochemical manufacturers and distributors such as Shaanxi Changqing Energy & Chemical Co., Ltd., British Petroleum, Mitsui & Co., Ltd., China National Offshore Oil Corporation (“**CNOOC**”), CNOOC and Shell Petrochemicals, Sinopec Chemical Products Sales Co., Dow Chemical (Shanghai) Co., Ltd., Jiangyin Golden Bridge Chemical Co., Ltd., Shanghai Pushun Import & Export Co., Ltd., BASF-YPC Co., Ltd., Shanghai Huayi (Group) Company, Yankuang Group Co., Ltd., 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 it with access to vital business partners as well as industrial transportation and distribution centres for petrochemicals in the People’s Republic of China (“**PRC**”).

The Group’s first plant, Foreversun Facility, currently has developed into a storage base with 49 storage tanks with an aggregate storage capacity of 139,600 cubic meters. With more than one third of these storage tanks being made of stainless steel, the Group owns one of the largest stainless steel storage facilities in the Yangtze Delta Region.



The first phase of the Deqiao Facility, comprising 42 storage tanks with an aggregate capacity of 126,000 cubic meters and two petrochemical jetties, commenced full operations in November 2011. In addition, the Group has also completed the construction of Phase II and Phase III of the Deqiao Facility, which comprise 82 storage tanks with a total capacity of 417,200 cubic meters and 21 spherical tanks with an aggregate capacity of 39,800 cubic meters. With the trial operation of Phase II and Phase III of the Deqiao Facility started in January 2015, the total storage capacity of the Deqiao Facility has increased to 583,000 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 one petrochemical jetty of 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 trial operation has commenced in February 2015. With this, and the completion of Phase I of the Chongqing Facility in the next one or two years, the Group is expected to have an overall storage capacity of 962,600 cubic meters.

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 shall be able to leverage on the resources of the fund to support the progress of the Group 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 (“**CQC**”) and IQ Net for the 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 CQC 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.

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、气体石化产品提供仓储和运输服务，产品包括醋酸、苯酚、丙醇、苯乙烯、甲醇、乙二醇、丙烷、丁烷、丁二烯、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，例如陕西长青能源化工有限公司、英国石油、日本三井、中海油、中海壳牌、中石化销售公司、陶氏化学（上海）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、上海华谊集团、兖矿集团、中化国际（控股）股份有限公司、以及百川化工（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。

德桥项目一期拥有2个石化专用码头及42座储罐，总罐容为12.6万立方米，于2011年11月份正式全面运营。此外，集团还完成了德桥二期和三期的建设，包括总罐容量为41.72万立方米的82座储罐以及总罐容量为3.98万立方米的21座球罐。随着2015年1月份开始的德桥二期和三期的试运营，德桥项目总罐容量已经增加到58.3万立方米。

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，重庆项目一个石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。随着这些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，集团的总罐容预期将达到96.26万立方米。

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。另外，作为一个有社会责任感的企业，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**”), I would like to thank our shareholders, clients and business partners for their valuable support to tide us through the challenging business environment in the financial year ended 31 December 2014 (“**FY2014**”).

Development in Difficult Times

In 2014, China's economy grew at its lowest pace in 24 years at 7.4%, missing its official target of 7.5% for the first time¹. On 3 February 2015, The China Petroleum and Chemical Industry Federation released the “2014 Petrochemical Industry Report”. According to the report, China's petroleum and chemical sector has realised a profit of RMB791.1 billion in 2014, down 8.1% year-on-year (“**yoy**”). This is the deepest drop since 2002. As a result, the Group has witnessed a decline in storage demand from customers and more customers switching to spot leases in view of the uncertain and relatively weak economy. Moreover, there was a downward adjustment in storage fee due to the increasing competition at the mouth of the Yangtze River.

Although the Group's revenue increased by 47.1% yoy from RMB127.0 million for FY2013 to RMB186.8 million for FY2014, gross profit decreased by 7.6%

yoy from RMB29.5 million for FY2013 to RMB27.3 million for FY2014. This was mainly due to high fixed storage cost as well as the change of revenue mix with a higher contribution from the lower margin transportation service, which accounted for 63.8% of the total revenue for FY2014 as compared to 38.6% for FY2013. Overall, the Group recorded a net loss of RMB12.6 million for FY2014.

Outlook

In early 2014, the Chinese government urged development of the “Golden Waterway” on the Yangtze River as a driving force for the regional growth. This implies more developments of petrochemical bases and chemical industry parks along the middle and upper reaches of the Yangtze River. In line with our strategy to penetrate the growing inland market of the Yangtze River, the Group commenced its construction of three new petrochemical storage plants in Wuhan, Yueyang, and Chongqing, and this helped us gain first mover advantage to capitalize on the growing need for petrochemical transportation and storage services in these regions. During the financial year under review, one jetty of the Chongqing Facility and Phase I of the Yueyang Facility have commenced trial operation. Subsequently in January and February 2015, Phase II and Phase III of the Deqiao Facility and Phase I of our Wuhan project have started their trial operation as well.



Chairman's Statement

The Group has now expanded its foothold to cover the entire Yangtze River with the new projects located at the middle and upper Yangtze River. Upon completion of Phase I of the Chongqing Facility in the next one or two years, the Group is expected to have an overall storage capacity of 962,600 cubic meters. Hopefully these will 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 opportunities to bundle transportation and storage services so as to provide more value-added services to the customers and enable itself to be a one-stop logistics service and solution provider in the petrochemical sector along the Yangtze River.

For the coming financial year, the Group shall develop new projects prudently and focus on further improving its operational efficiency under the challenging business environment to provide value to shareholders.

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.

For 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

Reference

¹ *Virginie Mangin, China's GDP growth hits 24-year low; slowdown seen continuing, The Business Times, 21 January 2015*

“...further
improving its
operational
efficiency under
the challenging
business
environment.”



主席致辞

尊敬的 各位股东：

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。是你们的坚定支持帮助我们度过了这充满挑战的2014年。

艰难时期的发展

2014年，中国的经济增长跌至24年来的最低点，国内生产总值增长仅为7.4%，首次未完成既定的增长计划7.5%。根据中国石化联合会2015年2月3日发布的《2014石油和化工行业经济效益情况报告》，2014年石化行业实现利润总额7911亿元，同比下降8.1%，创2002年以来最大降幅。相应地，我们集团也经历了客户减少存储量或因为经济局势不明朗而选择短期租约。长江口的石化仓储物流业竞争日渐激烈，仓储费也随之调低。

集团2014年财政年度的收入为1.868亿元人民币，同比2013财年的1.270亿元人民币提高了47.1%。但因为营业收入构成变化，毛利率较低的运输服务的营业收入比例从2013年的38.6%上升到2014年的63.8%，加上较高的固定仓储成本，集团毛利润从2013财年的2950万元人民币下跌至2014年的2730万元人民币，同比下跌7.6%。综上，集团在2014财年产生了人民币1260万元的损失。

参考文献

¹ Virginie Mangin, China's GDP growth hits 24-year low; slowdown seen continuing, *The Business Times*, 21 January 2015

展望

在2014年初，中国政府提出了发展“黄金水道”的计划，长江中上游的石化基地和化工园区有望依托该计划得到更多的发展。集团在武汉、岳阳和重庆已开始建设三个新的石化仓储基地，为我们赢得抓住该区域日益增长的石化运输和仓储服务需求的先发优势。本财年，1个重庆码头、岳阳项目一期已完成建设并投入试运营。2015年初，德桥项目的续建扩建以及武汉项目一期也开始了试运营。

包括新增的长江中上游的项目，集团目前的业务已较完整覆盖整个长江流域。在未来的1到2年内，一旦重庆库区一期建设完成，集团的总罐容预计达96.26万立方米。希望这些部署与发展可以让我们在不远的将来成为长江流域领先的石化物流服务商之一。

旨在为客户提供更多的增值服务，集团将继续探索运输和仓储的打包战略，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，集团将慎重地开展新项目，重点提高其运营效率，为股东创造更大的价值。

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



“旨在为客户提供更多的增值服务，集团将继续探索运输和仓储的打包战略，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。”



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

21 Merchant Road #05-01
Singapore 058267

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

10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

Company Secretary

Yap Lian Seng, LLB (Hons)
(Appointed from 30 May 2012)



Operating and Financial Review

Financial Performance

The Group's revenue increased 47.1% year-on-year ("yoy") from RMB127.0 million for FY2013 to RMB186.8 million for FY2014. This was mainly due to the additional revenue of RMB70.1 million from the Group's transportation services segment arising from the various long distance service projects which started in the last quarter of FY2013 as well as in the third quarter of FY2014. However, the increase was partially offset by the decline of RMB10.3 million in revenue from the Group's storage service segment due to lower storage volume as a result of economic slowdown, the change in product mix whereby the storage volume for products with higher storage fees, such as phenol, ethylene glycol and xylene had dropped for FY2014, as well as the ongoing decline in storage fees in the more competitive downstream region along the Yangtze River.

In line with the higher revenue, the Group's cost of sales increased 63.6% yoy from RMB97.5 million for FY2013 to RMB159.5 million for FY2014. The increase was mainly due to higher cost of sales from the Group's transportation services segment such as leasing of additional vehicles and depreciation charged on new tank trucks purchased.

Overall gross profit decreased 7.6% yoy from RMB29.5 million for FY2013 to RMB27.3 million for FY2014, and gross profit margin declined from 23.2% for FY2013 to 14.6% for FY2014. The decrease in gross profit margin was mainly due to the low-margin transportation service accounted for 63.8% of the total sales for FY2014 as compared to 38.6% for FY2013.

Excluding an amount of RMB7.9 million for the professional fees in relation to the subscription agreement with MEGCIF5 in FY2013, the Group's administrative expenses increased 13.4% yoy from RMB31.9 million for FY2013 to RMB36.2 million for FY2014. The increase was mainly due to higher manpower and travelling expenses incurred to support the Group's business development and expansion plans, as well as compensation expense incurred for wastage above the tolerable wastage level.

The Group's finance costs decreased 55% yoy from RMB2.9 million for FY2013 to RMB1.3 million for FY2014. The finance costs for FY2014 comprised the imputed interest for the MEGCIF5 Convertible Loan and interest for the working capital loan, whereas the finance costs for FY2013 comprised interest for a related party loan, which had its term revised to be interest free with effect from 1 July 2013.

As a result of a combination of the above factors, the Group recorded a lower net loss of RMB12.6 million for FY2014 as compared to a net loss of RMB16.6 million for FY2013.

Financial Position

As at 31 December 2014, 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 RMB324.2 million as at 31 December 2014. Excluding the amount payable of RMB81.7 million for the land use rights acquired, which the Group expects the Government authority to waive in line with the local investment promotion scheme, the Group's net working capital deficit would be RMB242.5 million as at 31 December 2014. Barring any unforeseen circumstances, with the Group's positive operational cash flows; the proceeds received from additional bank borrowings of RMB35 million immediately after the year-end; the Group's unutilised banking facilities of RMB198 million where all conditions precedent have been met; and the additional banking facilities of RMB50 million which the Group had negotiated and subject to certain conditions being met, the Group can meet its debt obligations for the following twelve months.

As at 31 December 2014, the Group's equity attributable to owners of the parent was RMB414.7 million for FY2014 as compared to RMB424.1 million for FY2013.

Cash Flow Management

The Group's net cash from operating activities for FY2014 was RMB10.9 million after meeting the working capital requirements and paying income tax and interest.

Net cash from financing activities for the FY2014, which amounted to RMB252.9 million, was the net effect of the proceeds from additional bank borrowings of RMB276.6 million, the repayment of bank borrowings of RMB62.4 million, the refund of restricted deposits from banks of RMB39.1 million and the repayment of RMB0.3 million for the salary owed to a director.

The net cash from operating activities and financing activities was used for the Group's construction projects and paying the bank loan interest.

As a result, cash and cash equivalents, inclusive of restricted deposit in banks of RMB2.9 million, decreased to RMB85.3 million as at 31 December 2014 as compared to RMB232.6 million as at 31 December 2013.

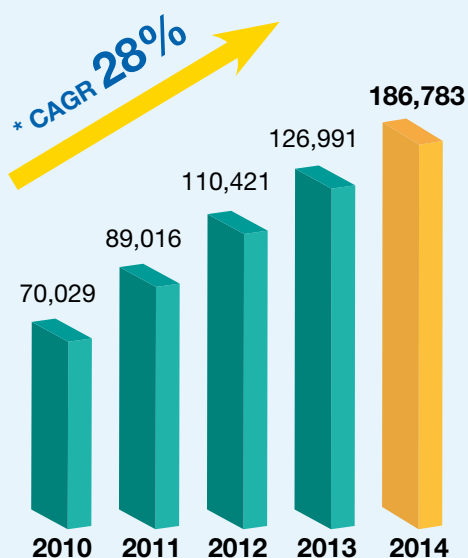
Financial Highlights

Key Financial Figures

RMB'000	FY 2014	FY 2013
Income Statement		
Revenue	186,783	126,991
Gross profit	27,264	29,510
Loss attributable to owners of the parent	(9,129)	(12,633)
Financial Position		
Cash and cash equivalents	85,326	232,591
Total assets	1,832,478	1,611,060
Total liabilities	1,187,209	979,755
Total equity	645,269	631,305
Cash Flow Statement		
Net cash generated from operating activities	10,876	3,200
Net cash used in investing activities	(371,952)	(506,256)
Net cash generated from financing activities	252,911	531,909
Key ratios		
Gross Profit Margin	14.6%	23.2%
Net Gearing Ratio*	72%	63%

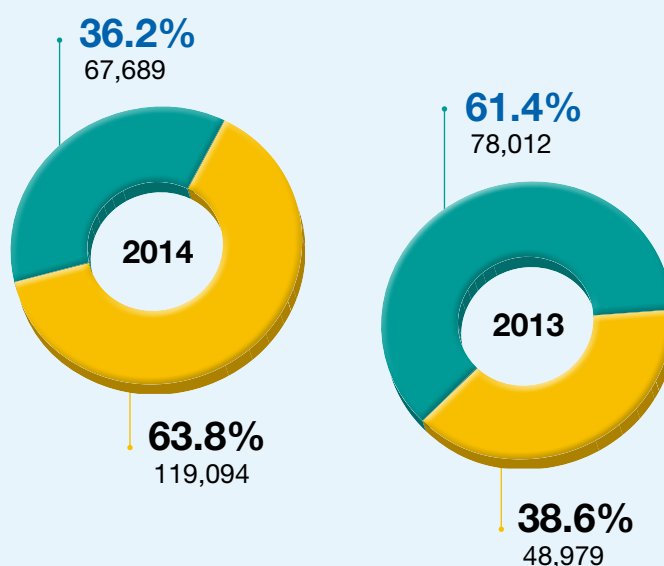
* Please refer to Note 33 of the Financial Statements for further explanation

Revenue (RMB'000)



* CAGR: Compound Annual Growth Rate

Revenue Breakdown by Segments (RMB'000/%)



Legend:

■ Storage Service

■ Transportation Service

Board of Directors

MR GU WEN LONG (顾文龙)

Executive Chairman & Chief Executive Officer

Mr Gu Wen Long 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 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 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., a Director of Nanjing Yuanjin Port Co., Ltd. and a partner of ZMAX GLOBE LLP.

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



Board of Directors

MR DIONG TAI PEW

Non-Executive & Lead Independent Director

Mr Diong Tai Pew 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 UHY Diong, an independent member of Urbach Hacker Young International. Mr Diong is currently a Non-Executive Independent Director of VS International Group Ltd, a public listed company in Hong Kong, a Senior Non-Executive Independent Director of SIG Gases Berhad, a company listed on Bursa Malaysia, and a Non-Executive Independent Director of Eastern Holdings Ltd, a public listed company in Singapore. He is the Chairman of the Audit Committee of the above-mentioned three 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 & Independent Director

Mr Anthony Ng Koon Leng 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 & Independent Director

Mr Ho Chew Thim 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

MS JI CUI HUA (纪翠华)

Chief Financial Officer

Ms Ji Cuihua is our Chief Financial Officer. She was appointed in her role as Chief Financial Officer on 1 October 2012. She 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.

Ms Ji has valuable experience in auditing, internal control and finance operations. In September 2006, Ms Ji joined Deloitte & Touche LLP Singapore where she worked as a Senior Auditor until December 2008. From December 2008 to January 2011, Ms Ji was the assistant manager of Internal Audit at the Ministry of Health Singapore. In February 2011, Ms Ji joined HG Metal Manufacturing Ltd where she worked as the Group Finance Manager until September 2012. Prior to joining the accounting profession, Ms Ji worked as a healthcare professional with the Singapore National University Hospital from July 2000 to September 2006.

Ms Ji is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants. Ms Ji graduated with a Bachelor of Science (First Class Honours) in Applied Accounting from Oxford Brookes University.

MR XIN FENG (辛峰)

Vice General Manager

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

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.

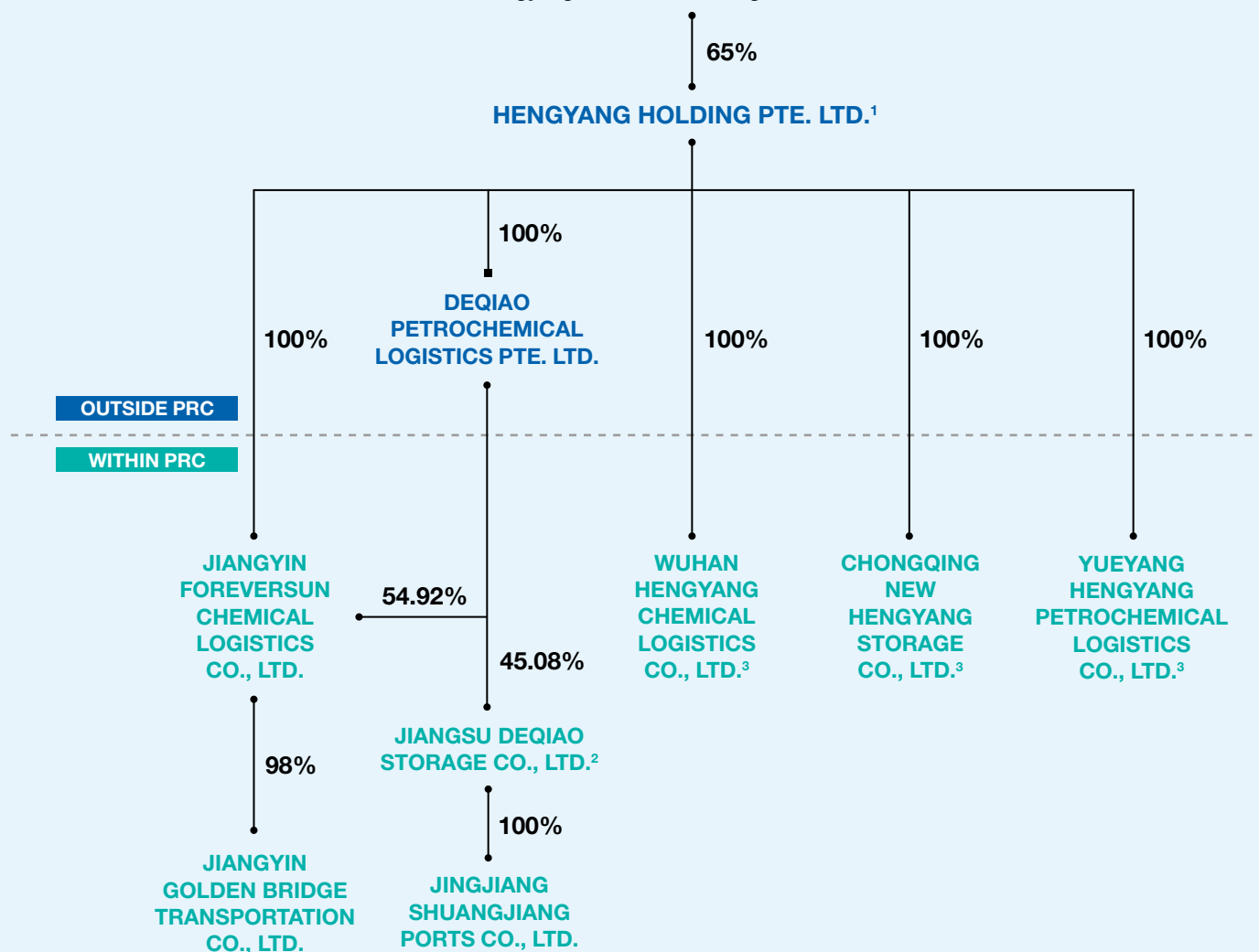
Mr Xin Feng obtained his bachelor's degree in Chemical Engineering Nanjing University of Technology in 1996 and his Master of Business Administration from Nanjing University in 2005.



Group Structure

恒阳

Hengyang Petrochemical Logistics Limited



Notes:

Group structure as at 30 March 2015

1. Pursuant to the Intra-Group Restructuring Exercise announced on 7 May 2013, Hengyang (Jiangyin) Petrochemical Logistics Pte. Ltd. is now known as Hengyang Holding Pte. Ltd.;
2. As disclosed in the Company's announcement dated 7 May 2013 ("**Announcement**"), the Company has restructured its corporate structure such that (i) Deqiao Petrochemical Logistics Pte. Ltd. holds 45.08%; and (ii) Jiangyin Foreversun Chemical Logistics Co., Ltd. holds 54.92%, of Jiangsu Deqiao Storage Co., Ltd.; and
3. Pursuant to the Subscription Agreement entered into with MEGCIF Investments 5 Limited, the Company has used part of the net proceeds to complete a buyback of a 40% equity interest in each of its two (2) subsidiaries – Wuhan Hengyang Chemical Logistics Co., Ltd. and Chongqing New Hengyang Storage Co. Ltd.

“...to provide more value-added services to the customers and enable itself to be a one-stop logistics service and solution provider in the petrochemical sector along the Yangtze River.”

Gu Wen Long
Group Executive Chairman and CEO



Report on 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 is pleased to report on our corporate governance processes and activities as required by the Code. For the financial year ended 31 December 2014, 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 Management remains accountable to the Board.

Our board of directors (the “**Board**”) comprises the following members, all having the right 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	Chairman of the Board & Chief Executive Officer	23 April 2008	20 April 2012
Tee Tuan Sem	Executive Vice-Chairman of the Board	15 August 2008	19 April 2013
Xie Yu	Non-Executive Director	19 November 2008	23 April 2014
Diong Tai Pew	Lead Independent Director	19 November 2008	20 April 2012
Anthony Ng Koon Leng	Independent Director	19 November 2008	19 April 2013
Ho Chew Thim	Independent Director	08 September 2009	23 April 2014



Report on Corporate Governance

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;
- to review management 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.

Report on Corporate Governance

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 Articles of Association of the Company provide for meetings of the Board to be held by way of telephonic conference. The numbers of meetings of the Directors for the financial year ended 31 December 2014 were as follows:

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

* Attended the meeting as an invitee.

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.

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.



Report on Corporate Governance

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 currently holds the dual positions of Executive Chairman and Chief Executive Officer (“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 possesses 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 within 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.

Mr Diong Tai Pew serves as our Lead Independent Director and is available to our shareholders who have concerns when contact through the normal channels of our Chairman and CEO or Chief Financial Officer (“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 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.



Report on Corporate Governance

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 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 FY2014 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 Articles of Association 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 Gu Wen Long and Diong Tai Pew, who will be retiring as Directors at the forthcoming annual general meeting, for re-election.

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.

Report on Corporate Governance

The directorships and chairmanships held by the Directors in other listed companies, as well as other major appointments, both present (as at 31 December 2014) and held over the preceding 3 years (from 31 December 2011 to 31 December 2014), 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) ZMAX GLOBE LLP (Partner)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Diong Tai Pew	<u>Present</u> VS International Group Ltd. SIG Gases Berhad Eastern Holdings Ltd.	<u>Present</u> UHY Diong (Practicing Chartered Accountant)
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Anthony Ng Koon Leng	<u>Present</u> Nil	<u>Present</u> Nil
	<u>In the Past 3 years</u> Nil	<u>In the Past 3 years</u> Nil
Ho Chew Thim	<u>Present</u> Yongmao Holdings Limited Mencast Holdings Ltd. China Kunda Technology Holdings Limited DeClout Limited	<u>Present</u> Nil
	<u>In the Past 3 years</u> R H Energy Ltd.	<u>In the Past 3 years</u> Nil



Report on Corporate Governance

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.

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.



Report on Corporate Governance

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 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. REMUNERATION MATTERS

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;
- 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



Report on Corporate Governance

- 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 expert advice was sought in 2014.

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 decides his own fees.

Our Independent Directors receive directors' fees for 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 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

Report on 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 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. The RC will consider whether to adopt Guideline 8.4 of the Code in due course.

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 FY2014 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						
Ji Cuihua ⁽¹⁾	100	–	–	–	–	100
Xin Feng ⁽¹⁾	100	–	–	–	–	100
Wang Sheng Bin ^{(1) (2)}	100	–	–	–	–	100



Report on Corporate Governance

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 Xin Feng, Ms Ji Cui Hua and Mr Wang Sheng Bin. As such, the Company only disclosed the remuneration of Mr Xin Feng, Ms Ji Cui Hua and Mr Wang Sheng Bin, the only three (3) executive officers who are not a Director or CEO of the Company.
- (2) Mr Wang Sheng Bin left the Company with effect from 5 February 2014.

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 Pei, 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) is RMB937,000.

There were no employees of the Company who are immediate family members of a Director, the CEO or a substantial shareholder of the Company whose remuneration exceeded S\$50,000 during FY2014. **"Immediate family member"** means the spouse, child, adopted child, stepchild, brother, sister and parent.

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.

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.



Report on Corporate Governance

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.

The appointed internal auditors carry out an annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls as well as risk management to the extent of their scope as laid out in their audit plan. In addition, the annual review further ensures that safeguards, checks and balances in place are adequate and effective in preventing any conflict of interest or any weakening of internal controls. Any material weakness in internal controls, together with recommendations for improvement, is reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the appointed internal auditors in this respect.

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 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 Audit Committee, 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.

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.



Report on Corporate Governance

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 Mr 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.

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.

The Board has approved the written terms of reference of the AC. The main duties and activities 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;
- 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;

Report on Corporate Governance

- 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.

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.

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

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 FY2014. For FY2014, 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 has reviewed and is satisfied that the external auditors have not provided any substantial volume of non-audit services to the Company during the FY2014 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.



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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.

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 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 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 Articles.

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. Under the Articles, all shareholders are entitled to attend and vote at the general meetings by person or proxy. Further, a shareholder can appoint up to a maximum of two proxies, who need not be shareholders of the Company.

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.

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.



Report on Corporate Governance

15. COMMUNICATIONS 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 of the SGX-ST.

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.

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. 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 abstentia. 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.

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 Chairman, the Board and the Management.



Report on Corporate Governance

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 2014 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2013:

A. Convertible Loan Agreements

*Unless otherwise defined, capitalised terms used in this section shall bear the same meaning ascribed to them in the company's circular dated 26 July 2013 ("**Circular**").*

Background

On 18 June 2013, the Company announced that it had entered into (i) a Subscription Agreement with MEGCIF Investments 5 Limited ("**MEGCIF5**"), Hengyang Holding Pte. Ltd ("**HHPL**") and Mr Gu Wen Long, and (ii) a MEGCIF5 Convertible Loan Agreement with MEGCIF5. In addition, HHPL had entered into Jinqiao Agreement with Jinqiao Chemical. Through these transactions, the Company aims to provide additional funds to enable the Group to streamline its corporate structure, to accelerate its project development and to increase effective equity interest in Wuhan Hengyang and Chongqing Hengyang.

Proposed Subscription and the Proposed Conversion of Share

As part of the Restructuring and as a condition subsequent in the Subscription Agreement, each of the Company and Mr Gu Wen Long has undertaken to MEGCIF5 to make their best efforts to cause Chongqing Hengyang to obtain the Chongqing Approvals.

To provide for the possibility that the Chongqing Approvals may not be obtained within the Chongqing Approval Period, the Company and MEGCIF5 have entered into a MEGCIF5 Convertible Loan Agreement under which HHPL shall repay to MEGCIF5 the full amount of the MEGCIF5 Convertible Loan and the Company shall acquire the entire equity interest in the registered capital of Chongqing Hengyang at a purchase price of approximately RMB77.0 million (the "**Chongqing Repurchase**"), with such purchase price to be partly set-off against the outstanding amount of the Parent Convertible Loan. In the event that the Chongqing Approvals are obtained within the Chongqing Approval Period, both the MEGCIF5 Convertible Loan and the Parent Convertible Loan will be converted into shares in HHPL.

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Proposed Acquisition

As announced in the announcement dated 5 June 2012 ("**2012 Announcement**"), the Company had disposed (i) 40% of the equity interest in the registered capital of Wuhan Hengyang and (ii) 40% of the equity interest in the registered capital of Chongqing Hengyang, both to Jinqiao Chemical pursuant to a conditional sale and purchase agreement dated 5 June 2012 between the Company and Jinqiao Chemical. Pursuant to the Restructuring, HHPL has entered into a Jinqiao Agreement with Jinqiao Chemical, pursuant to which HHPL has agreed to buy (i) 40% of the equity interest in the registered capital of Wuhan Hengyang, and (ii) 40% of the equity interest in the registered capital of Chongqing Hengyang, both from Jinqiao Chemical for an aggregate consideration of RMB60.4 million, resulting in HHPL owning 100% equity interest in Wuhan Hengyang and Chongqing Hengyang. Jinqiao Chemical is wholly owned by Ms Sun Fang, who is the spouse of Mr Gu Wen Long, the Executive Chairman and CEO of the Company.

Please refer to the Circular for further information on the Proposed Subscription, the Proposed Conversion of Share and the Proposed Acquisition.

Stage I Completion

The resolutions in relation to the Proposed Subscription, the Proposed Conversion of Share and the Proposed Acquisition were duly passed at the Company's Extraordinary General Meeting held on 12 August 2013. Further, in accordance with the Company's announcement dated 26 September 2013, the Proposed Subscription and the Proposed Acquisition were completed on 25 September 2013.

Stage II Completion

Pursuant to the Parent Convertible Loan Agreement dated 25 September 2013, HHPL (being the subsidiary of the Company, where the Company owns 65% of HHPL's equity) owed to the Company an outstanding loan amount of RMB50,023,123 ("**Parent Loan**"), which was made interest free to HHPL. The Company had on 24 November 2014 issued a letter of agreement of waiver and amendment of the Parent Convertible Loan Agreement and the Subscription Agreement to HHPL, Gu Wen Long and MEGCIF5, and had consented and authorised HHPL to capitalise the entire amount of the Parent Loan into 65 new shares in the capital of HHPL as full and final settlement of the Parent Loan ("**Parent Loan Capitalisation**").

Pursuant to MEGCIF5 Convertible Loan Agreement dated 17 June 2013, HHPL (being the subsidiary of the Company, where MEGCIF5 owns 35% of HHPL's equity) owed to MEGCIF5 an outstanding loan amount of RMB26,935,528 ("**Investor Loan**"), which was made interest free to HHPL. MEGCIF5 had on 24 November 2014 issued a letter of agreement of waiver and amendment of the MEGCIF5 Convertible Loan Agreement and the Subscription Agreement to HHPL, Gu Wen Long and the Company, and had consented and authorised HHPL to capitalise the entire amount of the Investor Loan into 35 new shares in the capital of HHPL as full and final settlement of the Investor Loan ("**Investor Loan Capitalisation**").

As announced in the Company's announcement dated 11 December 2014, the relevant new shares in the capital of HHPL ("**New Shares**") have been allotted and issued in accordance with the Parent Loan Capitalisation and Investor Loan Capitalisation, pursuant to which HHPL's total paid-up share capital has increased to S\$112,321,475, comprising 200 shares of HHPL.



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B. 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.

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 balancing RMB63.6 million bears interest at 10% above the prevailing prime lending rate set by People’s Bank of China. Any repayment for the above loan is subject to the approval from the Company’s Audit Committee as well as unanimous approval from the board of HHPL, which includes members nominated by MEGCIF5.

For the avoidance of doubt, and in the interests of full disclosure, the Company has decided to disclose the above contract notwithstanding that it was neither subsisting at the end of the financial year ended 31 December 2014 nor entered into since the end of the previous financial year ended 31 December 2013.

C. Extension of Borrowings from a Director

On 1 July 2013, a subsidiary of the Company, Jiangsu Deqiao Storage Co., Ltd. (“**Jiangsu Deqiao**”) and the 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 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.

For the avoidance of doubt, and in the interests of full disclosure, the Company has decided to disclose the above contract notwithstanding that it was neither subsisting at the end of the financial year ended 31 December 2014 nor entered into since the end of the previous financial year ended 31 December 2013.

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.
- 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.

Report on 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 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	–	22,580
Shanghai Kangyang Petrochemical Co., Ltd. (" Shanghai Kangyang ") ^{(2) (4)} – Provision of petrochemical storage services and land transport services	–	980
Wuhan Kangyang Petrochemical Co., Ltd. (" Wuhan Kangyang ") ^{(2) (4)} – Provision of petrochemical storage services and land transport services	–	103
Jiangyin Saisheng New Material Co., Ltd. (" Jiangyin Saisheng ") ^{(2) (4)} – Provision of petrochemical storage services and land transport services	–	1,466
Golden Hope Industrial Co., Ltd. (" Golden Hope ") ^{(3) (4)} – Provision of petrochemical storage services	–	1,150

Notes:

- (1) Jinqiao Chemical is wholly-owned by Ms Sun Fang, the spouse of the Company's Chairman and CEO, Mr Gu Wen Long.
- (2) Shanghai Kangyang, Wuhan Kangyang and Jiangyin Saisheng are controlled by Jinqiao Chemical.
- (3) Golden Hope is controlled by Mr Gu Wen Long, the Company's Chairman and CEO.
- (4) The Company had obtained a renewal of the modified shareholders' mandate ("**Shareholders' Mandate**") at its annual general meeting held on 23 April 2014. 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.
- (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:

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RMB' million	Loan A Nanyang Commercial Bank (China) Ltd, Wuxi branch	Loan B China Minsheng Banking Corp. Ltd.	Loan C Bank of China	Loan D China Minsheng Banking Corp. Ltd
Bank name				
Loan facilities granted	400.0	180.0	120.0	100.0
Loan amount drawn down as at 31 December 2014	400.0	60.0	100.0	71.6
Amount repaid	(30.0)	(6.3)	(5.0)	–
Outstanding amount as at 31 December 2014	370.0	53.7	95.0	71.6
– Repayable within one year	70.0	11.4	10.0	3.0
– Repayable after one year	300.0	42.3	85.0	68.6

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 the financial year ended 31 December 2014, 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 the financial year ended 31 December 2014, 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	464
– other auditors	360
Non-audit fees paid/payable to	
– auditor of the Company	20
– other auditors	368



Sustainability and Community

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

OUR PEOPLE

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

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

In January 2014, Jiangsu Deqiao was awarded the Occupational Health and Safety Management System Certificate by the China Quality Certification Centre for compliance with the standards OHSAS 18001:2007 and GB/T 28001-2011. In June 2014, Foreversun Facility has also successfully renewed its OHSAS 18001:2007 and GB/T 28001-2011 certificates.

OUR ENVIRONMENT

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

We have obtained all the environmental permits and approvals necessary to conduct our business, such as the pollutant discharge permit and the operating permit for loading and unloading of the dangerous chemicals. We are also currently in compliance with all applicable environmental laws and have not breached any applicable laws or regulations since our incorporation.

Apart from complying with all the relevant environmental laws and regulations, we have gone a step further in order to minimise our impact on the environment by undertaking a wide range of self-initiated measures to build a greener future. For instance, we have installed environmentally friendly device adjacent to the breathing valve, which retrieves the waste gas; we also have implemented the closed filling system to avoid leaking of dangerous gas into the atmosphere.

In order to ensure continued compliance with the relevant environmental laws and regulations, we have appointed specialised personnel to oversee environmental protection related matters within our Group.

In January 2014, Jiangsu Deqiao was awarded the Environmental Management System Certificate by the China Quality Certification Centre for compliance with the standards ISO14001:2004 and GB/T 24001-2004. In June 2014, Foreversun Facility has also successfully renewed its ISO14001:2004 and GB/T 24001-2004 certificates.

In January 2015, Jiangyin Foreversun was recognised by the Jiangyin City People’s Government for its outstanding fire safety standards. In February 2015, Jiangsu Deqiao was also recognised by the Jingjiang City Fire Department for its outstanding fire safety standards.



Sustainability and Community

OUR COMMUNITY

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

We are a strong believer of quality education for all children. Accordingly, we have partnered with Xilai Primary school, a school located near our Deqiao Facility, to support students from low income families and empower young learners to be successful, active citizens. We have also partnered with Jiangyin Charity and Jingjiang Charity, not-for-profit voluntary welfare organisations to serve the needy in the community. During the financial year, Hengyang also made a donation of RMB50,000 and RMB55,000 to the Jiangyin Charity and Jingjiang Charity respectively. The Group Chairman, Mr Gu was also awarded as "Charity Star" by the Jingjiang City People's Government in year 2014.

Our CSR efforts also include encouraging our people to volunteer and take part in charitable initiatives beyond our Group's corporate CSR activities. For example, in May 2014, when an employee's two-year old son was diagnosed with a thyroid disease, employees at Jiangsu Deqiao rallied together to raise a total of RMB23,170 for the child and his family.

Report of the Directors

The directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1. Directors

The directors of the Company in office at the date of this report 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)

2. 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.

3. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of director or nominee		Shareholdings in which director is deemed to have an interest	
	At beginning of the financial year	At the end of the financial year	At beginning of the financial year	At the end of the financial year
Company				
(Number of ordinary shares)				
Gu Wen Long	-	-	114,100,000	114,100,000
Diong Tai Pew	339,000	354,000	-	-
Xie Yu	1,950,000	1,950,000	-	-
Ultimate holding company				
Foreversun Holdings Co., Ltd.⁽¹⁾				
(Number of ordinary shares)				
Gu Wen Long	50,000	50,000	-	-

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



Report of the Directors

3. Directors' interests in shares or debentures (Continued)

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 requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the register of the directors' shareholdings, the directors' interests as at 21 January 2015 in the shares of the Company have not changed from those disclosed as at 31 December 2014.

4. Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to financial statements. Certain directors of the Company received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

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 under option in the Company or its subsidiaries 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:

- (a) 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;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (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;



Report of the Directors

6. **Audit committee** (Continued)

- (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 6 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. **Auditor**

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

On behalf of the Board of Directors

Gu Wen Long
Director

Diong Tai Pew
Director

Singapore
30 March 2015



Statement by Directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year then ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Gu Wen Long
Director

Diong Tai Pew
Director

Singapore
30 March 2015



Independent Auditor's Report

To the Members of Hengyang Petrochemical Logistics Limited

Report on Financial Statements

We have audited the accompanying financial statements of Hengyang Petrochemical Logistics Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 105.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditor's Report

To the Members of Hengyang Petrochemical Logistics Limited

Report on Financial Statements (Continued)

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
30 March 2015

Statements of Financial Position

As at 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	4	1,422,362	1,059,993	36	50
Land use rights	5	269,045	270,896	–	–
Investments in subsidiaries	6	–	–	267,472	217,449
		1,691,407	1,330,889	267,508	217,499
Current assets					
Trade and other receivables	7	54,154	42,478	65	63
Amount owing by related parties	8	1,585	3,231	–	–
Amount owing by subsidiaries	9	–	–	6	48,742
Current income tax recoverable		6	1,871	–	–
Cash and cash equivalents	10	85,326	232,591	467	1,866
		141,071	280,171	538	50,671
Less:					
Current liabilities					
Trade and other payables	11	308,135	292,017	571	352
Amount owing to related parties	8	19,968	19,968	–	–
Amount owing to a subsidiary	9	–	–	11,367	8,612
Amount owing to directors	12	1,502	1,952	1,372	1,822
Amount owing to a former shareholder of a subsidiary	13	4,502	4,502	–	–
Convertible loan	14	–	26,109	–	–
Bank borrowings	15	129,400	50,900	–	–
Current income tax payable		1,746	312	–	–
		465,253	395,760	13,310	10,786
Net current (liabilities)/assets		(324,182)	(115,589)	(12,772)	39,885
Less:					
Non-current liabilities					
Amount owing to a related party	8	93,050	93,050	–	–
Amount owing to a director	12	11,143	11,143	–	–
Bank borrowings	15	602,760	467,100	–	–
Deferred tax liabilities	16	15,003	12,702	–	–
		721,956	583,995	–	–
Net assets		645,269	631,305	254,736	257,384
Equity					
Share capital	17	289,064	289,064	289,064	289,064
Statutory common reserve	18	13,526	12,915	–	–
Other reserve	19	83,004	83,004	–	–
Foreign currency translation account	20	(270)	–	–	–
Retained earnings/(Accumulated losses)		29,407	39,147	(34,328)	(31,680)
Equity attributable to owners of the parent		414,731	424,130	254,736	257,384
Non-controlling interests		230,538	207,175	–	–
Total equity		645,269	631,305	254,736	257,384

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	21	186,783	126,991
Cost of sales		(159,519)	(97,481)
Gross profit		27,264	29,510
Other income	22	5,148	2,954
Administrative and other expenses		(36,204)	(39,807)
Finance costs	23	(1,299)	(2,885)
Loss before income tax	24	(5,091)	(10,228)
Income tax expense	26	(7,466)	(6,345)
Loss for the financial year		(12,557)	(16,573)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference		(415)	–
Income tax relating to items that may be reclassified		–	–
Other comprehensive income for the financial year, net of tax		(415)	–
Total comprehensive income for the financial year		(12,972)	(16,573)
Loss attributable to:			
Owners of the parent		(9,129)	(12,633)
Non-controlling interests		(3,428)	(3,940)
		(12,557)	(16,573)
Total comprehensive income attributable to:			
Owners of the parent		(9,399)	(12,633)
Non-controlling interests		(3,573)	(3,940)
		(12,972)	(16,573)
Earnings per share (cents):			
- Basic	27	(4.49)	(6.21)
- Diluted	27	(4.49)	(6.21)

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2014

	Note	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 2014		289,064	12,915	83,004	–	39,147	424,130	207,175	631,305
Total comprehensive income for the financial year		–	–	–	(270)	(9,129)	(9,399)	(3,573)	(12,972)
Loss for the financial year		–	–	–	–	(9,129)	(9,129)	(3,428)	(12,557)
Other comprehensive income									
Foreign currency translation difference	20	–	–	–	(270)	–	(270)	(145)	(415)
Contribution by owners									
Conversion of convertible loan	14	–	–	–	–	–	–	26,936	26,936
Others									
Transfer to statutory common reserve		–	611	–	–	(611)	–	–	–
		–	611	–	–	(611)	–	–	–
Balance at 31 December 2014		289,064	13,526	83,004	(270)	29,407	414,731	230,538	645,269

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2014

	Note	Share capital RMB'000	Statutory common reserve RMB'000	Other reserve 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 2013		289,064	18,487	–	94,810	402,361	30,464	432,825
Loss for the financial year, representing total comprehensive income for the financial year		–	–	–	(12,633)	(12,633)	(3,940)	(16,573)
Changes in ownership interests in subsidiaries		–	(6,471)	83,004	(42,131)	34,402	179,598	214,000
Dilution of interest in a subsidiary	6	–	(6,471)	83,004	(42,131)	34,402	(34,402)	–
Acquisition of non-controlling interests	6	–	–	–	–	–	(60,435)	(60,435)
Capital injection by non-controlling shareholders of subsidiaries	6	–	–	–	–	–	274,435	274,435
Others		–	899	–	(899)	–	1,053	1,053
Equity component on convertible loan	14	–	–	–	–	–	1,053	1,053
Transfer to statutory common reserve		–	899	–	(899)	–	–	–
Balance at 31 December 2013		289,064	12,915	83,004	39,147	424,130	207,175	631,305

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before income tax		(5,091)	(10,228)
Adjustments for:			
Depreciation of property, plant and equipment		26,311	23,276
Amortisation of land use rights		1,387	1,245
(Gain)/Loss on disposal of plant and equipment		(83)	48
Loss on plant and equipment written off		–	8
Interest income		(3,498)	(697)
Interest expense		1,299	2,885
Operating cash flows before working capital changes		20,325	16,537
Working capital changes:			
Trade and other receivables (including related parties)		(10,188)	(18,695)
Trade and other payables (including directors)		3,493	8,940
Foreign currency translation difference		(415)	–
Cash generated from operations		13,215	6,782
Interest paid		(473)	–
Income tax paid		(1,866)	(3,582)
Net cash from operating activities		10,876	3,200
Investing activities			
Acquisition of property, plant and equipment	4	(352,372)	(359,120)
Acquisition of land use rights	5	(5,723)	(56,825)
Acquisition of non-controlling interests	6	–	(60,435)
Proceeds from disposal of property, plant and equipment		200	56
Interest paid and capitalised	23	(17,713)	(30,836)
Interest received		3,656	904
Net cash used in investing activities		(371,952)	(506,256)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Fixed deposits pledged in financial institutions		39,100	17,980
Proceeds from capital injection			
- by a related party	6	–	30,121
- by a non-controlling shareholder of a subsidiary	6	–	244,314
Proceeds from convertible loan	6	–	26,936
Proceeds from bank borrowings		276,560	280,000
Repayment of bank borrowings		(62,400)	(62,000)
Amount owing to related parties		–	(5,674)
Amount owing to directors		(349)	232
Net cash from financing activities		<u>252,911</u>	<u>531,909</u>
Net change in cash and cash equivalents		(108,165)	28,853
Cash and cash equivalents at beginning of the financial year		190,571	161,718
Cash and cash equivalents at end of the financial year	10	<u>82,406</u>	<u>190,571</u>

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

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 10 Collyer Quay #27-00, Ocean Financial Centre, Singapore 049315. 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 6 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 consolidated financial statements relate to the Company and its subsidiaries (hereinafter known as the “Group”). The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 30 March 2015.

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 Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”) 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 below.

As at 31 December 2014, the current liabilities of the Group have exceeded the current assets by RMB324,182,000. The Group’s current liabilities comprise mainly amount owing to suppliers of property, plant and equipment of RMB206,200,000; amount owing to government authority in relation to land use rights of RMB81,689,000; and current bank borrowings from banks of RMB129,400,000. In preparing the Group’s financial statements on a going concern basis, management has taken into account the following factors when assessing whether the Group can meet its debt obligations for the next twelve months:

- (a) Management expects the amount payable for land use rights acquired (Note 11) amounting to RMB81,689,000 will be waived by the local government in the PRC in line with the local investment promotion scheme which will reduce the Group’s net working capital deficit to RMB242,493,000 as at 31 December 2014.
- (b) The Group has unutilised banking facilities of RMB198,000,000 which all conditions precedent have been met. Subsequent to the financial year end, the Group had received additional bank borrowings of RMB35,000,000 and negotiated for additional banking facilities of RMB50,000,000, subject to certain conditions being met.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The Directors are of the opinion that, the Group is advantageous with its strategic position along the Yangtze River. Following the completion stages of most of its construction projects during and subsequent to the financial year, the Group will be able to increase its storage tank capacities and therefore, the Directors believe the prospects of the Group are positive. With the proceeds received from additional bank borrowings immediately after year-end, its positive operational cash flows and the continuous support from the local PRC government authority, suppliers and banks, the use of going concern basis in the preparation of the Group's financial statements is appropriate.

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 unless otherwise stated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

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

FRS 110 Consolidated Financial Statements and FRS 27 (Revised) Separate Financial Statements

FRS 110 introduces a single new control model, as the basis for determining which entities are consolidated in the Group's financial statements. Under FRS 110, control exists when the Group has:

- power over an investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power over an investee to affect the Group's returns from the investee.

FRS 110 is required to be applied retrospectively, in accordance with the transitional provisions of FRS 110 and changed its accounting policy for determining whether it has control over an entity and whether it is required to consolidate that interest. The adoption of FRS 110 did not result in any changes to the control conclusions reached by the Group in respect of its involvement with other entities as at the date of initial adoption on 1 January 2014. The adoption of FRS 27 (Revised) did not result in any changes to the Group's or the Company's financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance. Certain new disclosures are included in these financial statements following adoption of FRS 112 on 1 January 2014.

Amendments to FRS 36 - Recoverable Amount Disclosures for Non-financial Assets

The amendments to FRS 36 were issued to remove the requirement to disclose the recoverable amount of any cash-generating unit for which the carrying amount of goodwill or intangible assets with an indefinite useful life is significant compared to the total carrying amount of goodwill or intangible assets with an indefinite useful life, and instead require disclosure about recoverable amount only when there is a significant impairment or reversal of an impairment, as well as to require additional disclosures when recoverable amount is based on fair value less costs of disposal.

The Group has adopted the amendments to FRS 36 from 1 January 2014, and there is no impact on the Group's financial position or financial performance.

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 that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41 (Amendments)	: Agriculture : Bearer Plants	1 January 2016
FRS 19 (Amendments)	: Defined Benefit Plans : Employee Contributions	1 July 2014
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
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	1 January 2016
FRS 110, FRS 112 and FRS 28 (Amendments)	: Investment Entities : Applying the Consolidation Exception	1 January 2016

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 114	: Regulatory Deferral Account	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2017
Improvements to FRSs 2014 (January 2014)		1 July 2014
Improvements to FRSs 2014 (February 2014)		1 July 2014
Improvements to FRSs 2014 (November 2014)		1 January 2016

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, if applicable, will have no material impact on the financial statements in the period of initial adoption, except as discussed below.

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.

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 will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 109 *Financial Instruments* (Continued)

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 provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always 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.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

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. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

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.

On initial adoption of this standard, there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2017 with either full or modified retrospective effect 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

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.

In the separate financial statements of the Company, investment in subsidiaries is carried at cost, less any impairment loss that has been recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 January 2010 (Continued)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

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	50 years or shorter of land use right tenure
Building on leasehold land	50 years or shorter of land use right tenure
Tank facilities	
- components	5 - 10 years
- plant structure	20 - 25 years
Electronic system and equipment	5 - 10 years
Motor vehicles	4 - 10 years
Furniture and fixture	3 - 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, which include 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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 item of property, plant and equipment is 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. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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 ranged 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 reviews 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 estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

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 recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and 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 only 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 input 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Impairment on financial assets (Continued)

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 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 Group 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 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 had financial liabilities classified under other financial liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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.

Bank borrowings

Interest-bearing bank loans 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.

Convertible loans

Convertible loans are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability, on an amortised cost basis until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 to a bank to secure a bank borrowing granted and which forms an integral part of the Group's operating cash cycle.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.9 Revenue recognition

Revenue is measured at 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, and revenue from land transportation business are recognised when services are rendered and significant risks and rewards have been transferred to the customer. 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.

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 their fair value where there is reasonable assurance that the incentive will be received and all attaching conditions will be complied with. Government incentive receivable is recognised as income over the periods necessary to match with the related costs which are incurred.

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 or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

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, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.13 Taxes (Continued)

Deferred tax (Continued)

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, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

Sales 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.15 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

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 the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) 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.

2.16 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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.

The management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

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.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Management estimates the useful lives of property, plant and equipment to be at 4 to 50 years, or shorter of land use rights tenure. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment as at 31 December 2014 were approximately RMB1,422,362,000 (2013: RMB1,059,993,000).

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2014 was approximately RMB267,472,000 (2013: RMB217,449,000).

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

Key sources of estimation uncertainty (Continued)

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. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, allowances may be required. The carrying amount of the Group's third party trade and other receivables as at 31 December 2014 was approximately RMB54,154,000 (2013: RMB42,478,000).

Income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current income tax payable and deferred tax liabilities as at 31 December 2014 were approximately RMB1,746,000 (2013: RMB312,000) and RMB15,003,000 (2013: RMB12,702,000) respectively. The carrying amount of the Group's current income tax recoverable as at 31 December 2014 was approximately RMB6,000 (2013: RMB1,871,000).

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. Property, plant and equipment

Group	Building on leasehold land RMB'000	Jetties RMB'000	Tank facilities RMB'000	Electronic system and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost								
Balance as at 1 January 2013	79,914	59,954	257,512	31,702	13,283	-	229,587	671,952
Additions	105	1,500	2,852	834	7,080	-	463,463	475,834
Reclassifications	(1,000)	-	(2,137)	-	-	-	3,137	-
Disposals	-	-	-	-	(3,456)	-	-	(3,456)
Written off	-	-	(185)	(12)	-	-	-	(197)
Balance as at 31 December 2013	79,019	61,454	258,042	32,524	16,907	-	696,187	1,144,133
Additions	294	-	957	784	1,256	28	385,478	388,797
Reclassifications	(423)	-	722	5,642	88	351	(6,380)	-
Disposals	-	-	-	(232)	(943)	-	-	(1,175)
Balance as at 31 December 2014	78,890	61,454	259,721	38,718	17,308	379	1,075,285	1,531,755

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. Property, plant and equipment (Continued)

Group	Building on leasehold land RMB'000	Jetties RMB'000	Tank facilities RMB'000	Electronic system and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation								
Balance as at 1 January 2013	6,350	2,102	36,878	10,021	9,054	-	-	64,405
Depreciation for the financial year	2,043	1,613	13,337	4,688	1,595	-	-	23,276
Disposals	-	-	-	-	(3,352)	-	-	(3,352)
Written off	-	-	(185)	(4)	-	-	-	(189)
Balance as at 31 December 2013	8,393	3,715	50,030	14,705	7,297	-	-	84,140
Depreciation for the financial year	1,442	2,052	14,140	6,112	2,507	58	-	26,311
Reclassifications	-	-	(4,257)	4,159	(40)	138	-	-
Disposals	-	-	-	(209)	(849)	-	-	(1,058)
Balance as at 31 December 2014	9,835	5,767	59,913	24,767	8,915	196	-	109,393
Carrying amount								
At 31 December 2014	69,055	55,687	199,808	13,951	8,393	183	1,075,285	1,422,362
At 31 December 2013	70,626	57,739	208,012	17,819	9,610	-	696,187	1,059,993

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. Property, plant and equipment (Continued)

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

	2014 RMB'000	2013 RMB'000
Additions of property, plant and equipment	388,797	475,834
Amortisation of land use rights capitalised (Note 5)	(6,146)	(3,137)
Interest capitalised (Note 23)	(17,713)	(30,836)
Amount owing to suppliers	(12,566)	(82,741)
Cash payments to acquire property, plant and equipment	352,372	359,120

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

	2014 RMB'000	2013 RMB'000
Cost of sales	23,801	20,778
Administrative and other expenses	2,510	2,498
	26,311	23,276

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

	2014 RMB'000	2013 RMB'000
Building on leasehold land	50,058	52,057
Jetties	55,687	57,739
Tank facilities	152,097	159,698
Electronic system and equipment	11,303	16,646
Motor vehicles	834	490
Construction-in-progress	567,868	191,233
	837,847	477,863

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. Property, plant and equipment (Continued)

These are held as securities for:

	2014 RMB'000	2013 RMB'000
- Bank loan I (Note 15)	250,820	268,996
- Bank loan II (Note 15)	308,788	191,574
- Bank loan IV (Note 15)	196,439	–
- Bank loan V (Note 15)	63,418	–
- Non-current amount owing to a related party (Note 8)	18,382	17,293
	837,847	477,863

	Electronic system and equipment RMB'000	Furniture and fixtures RMB'000	Total RMB'000
Company			
Cost			
Balance as at 1 January 2013	10	–	10
Additions	55	–	55
Balance as at 31 December 2013	65	–	65
Reclassifications	(55)	55	–
Balance as at 31 December 2014	10	55	65
Accumulated depreciation			
Balance as at 1 January 2013	1	–	1
Depreciation for the financial year	14	–	14
Balance as at 31 December 2013	15	–	15
Depreciation for the financial year	3	11	14
Reclassifications	(11)	11	–
Balance as at 31 December 2014	7	22	29
Carrying amount			
At 31 December 2014	3	33	36
At 31 December 2013	50	–	50

Notes to the Financial Statements

For the financial year ended 31 December 2014

5. Land use rights

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
Balance as at 1 January	279,561	141,006
Additions	5,682	138,555
Balance as at 31 December	285,243	279,561
Accumulated amortisation		
Balance as at 1 January	8,665	4,283
Amortisation charge for the financial year		
- amount charged to profit or loss	1,387	1,245
- amount capitalised in construction-in-progress (Note 4)	6,146	3,137
	7,533	4,382
Balance as at 31 December	16,198	8,665
Carrying amount	269,045	270,896

At the end of the financial year, the carrying amount of land use rights pledged as security for bank borrowings was as follows:

	2014	2013
	RMB'000	RMB'000
- Bank loan I (Note 15)	68,324	70,891
- Bank loan III (Note 15)	139,553	-
- Bank loan IV (Note 15)	40,375	-
- Bank loan VI (Note 15)	17,367	-
	265,619	70,891

The Group's additions to land use rights are analysed as follows:

	2014	2013
	RMB'000	RMB'000
Additions of land use rights	5,682	138,555
Balance of purchase consideration reduced/(owing to) government authorities	41	(81,730)
Cash payments to acquire land use rights	5,723	56,825

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Investments in subsidiaries

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity investments, at cost	265,517	215,494
Fair value adjustment on loan to a subsidiary (Note 9)	1,955	1,955
	<u>267,472</u>	<u>217,449</u>

Capitalisation of the Parent Loan to new ordinary shares in Hengyang Holding Pte. Ltd. ("HHPL")

During the financial year, the Company had converted the convertible loan of RMB50,023,000 to HHPL into 65 fully paid ordinary shares in the share capital of HHPL (Note 9).

Additional capital injection in subsidiaries

In the previous financial year, the Company injected additional capital in cash of RMB5,090,000 as registered and paid-up capital in a wholly-owned subsidiary, Chongqing New Hengyang Storage Co., Ltd. ("Chongqing Hengyang").

Restructuring exercise

In the previous financial year, the Group conducted an intra-group restructuring exercise in which, the equity interest and control of the subsidiaries were transferred to HHPL, a wholly-owned subsidiary of the Company, without any change of the equity interest and control of the Group. The details of the restructuring exercise are as follows:

- (a) the Company transferred its entire issued and paid up share capital of RMB5 in Deqiao Petrochemical Logistics Pte. Ltd. ("Deqiao Singapore") in May 2013 to its then wholly-owned subsidiary, HHPL for a consideration of RMB448,504, a sum equal to the net tangible assets value of Deqiao Singapore as at 31 December 2012;
- (b) the Company novated in favour of HHPL an amount of RMB115,874,000 owing by Deqiao Singapore in July 2013;
- (c) the Company transferred the entire issued share capital of approximately RMB15,903,000 in Yueyang Hengyang Petrochemical Logistics Co., Ltd. ("Yueyang Hengyang") to HHPL in May 2013 for a consideration of RMB15,903,000, which was based on the cost of investment;
- (d) the Company transferred its 60% of equity interest in Wuhan Hengyang Chemical Logistics Co., Ltd. ("Wuhan Hengyang") to HHPL in August 2013 for a consideration of RMB46,707,000, being a sum equal to the 60% of the registered capital;
- (e) the Company transferred its 60% equity interest in Chongqing New Hengyang Storage Co., Ltd. ("Chongqing Hengyang") to HHPL in August 2013 for a consideration of RMB46,838,000, being a sum equal to the 60% of the registered capital;

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Investments in subsidiaries (Continued)

Restructuring exercise (Continued)

- (f) the Company increased its investment in HHPL by capitalising the entire non-current amount owing by HHPL to the Company of RMB215,494,000, which included an amount of RMB39,746,000 as disclosed above, in August 2013; and
- (g) HHPL injected additional capital in cash of United States dollar (“USD”) 9,511,000 (equivalent to RMB58,321,000) as registered and paid-up capital in its wholly-owned subsidiary, Yueyang Hengyang in September 2013.

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

In January 2013, an amount of RMB30,121,000 was injected by a related party, Jinqiao Chemical to acquire 40% equity interest in Chongqing Hengyang. Accordingly, the Company’s equity interests in Chongqing Hengyang was diluted from 100% to 60%. For the purpose of the consolidated statement of cash flows, the cash inflow of RMB30,121,000 was presented as proceeds from capital injection.

In April 2013, the debt arising from the borrowings of USD18,580,000 (equivalent to RMB117,816,000) from Jiangyin Foreversun Chemical Logistics Co., Ltd. (“Jiangyin Foreversun”) to Jiangsu Deqiao Storage Co., Ltd. (“Jiangsu Deqiao”) was repaid by way of capitalising the amount owing into equity interest in Jiangsu Deqiao’s paid-up registered capital. Accordingly, Jiangsu Deqiao increased its registered capital from USD15,250,000 (approximately RMB116,364,000) to USD33,830,000 (approximately RMB234,180,000), representing approximately 54.92% of the enlarged registered capital of Jiangsu Deqiao being fully contributed by Jiangyin Foreversun. Accordingly, Jiangyin Foreversun became the immediate holding company to Jiangsu Deqiao.

In September 2013, an amount of RMB271,250,000 was paid by MEGCIF Investments 5 Limited (“MEGCIF5”) for the acquisition of 35 ordinary shares of HHPL representing 35% of the enlarged issued share capital of HHPL. Accordingly, the Company’s equity interests in HHPL was diluted from 100% to 65%. The consideration was satisfied by (i) aggregate subscription price of RMB244,314,000 for the issue of 35 HHPL’s ordinary shares; and (ii) a principal amount of RMB26,936,000 being the MEGCIF5 Convertible Loan advanced by MEGCIF5 to HHPL (Note 14). For the purpose of the consolidated statement of cash flows, the cash inflow of RMB244,314,000 was presented as proceeds from capital injection and the cash inflow of RMB26,936,000 was presented as proceeds from convertible loan.

Acquisition of non-controlling interests

In September 2013, HHPL acquired the remaining 40% equity interest in Wuhan Hengyang and Chongqing Hengyang from a related party, Jinqiao Chemical, for a consideration of approximately RMB30,314,000 and RMB30,121,000 respectively. The aggregate cash outflow of RMB60,435,000 has been included in the consolidated statement of cash flows. Accordingly, Wuhan Hengyang and Chongqing Hengyang became wholly-owned subsidiaries of HHPL.

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Investments in subsidiaries (Continued)

Unquoted equity investments, at cost

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	
		2014	2013	2014	2013
		%	%	%	%
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	100	100	–	–
Jiangyin Foreversun Chemical Logistics Co., Ltd. ⁽²⁾ (People’s Republic of China)	Storage, dispatch and drumming of liquid petrochemical products	100	100	–	–
Wuhan Hengyang Chemical Logistics Co., Ltd. ⁽²⁾ (People’s Republic of China)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	100	100	–	–
Chongqing New Hengyang Storage Co., Ltd. ⁽²⁾ (People’s Republic of China)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	100	100	-	-
Yueyang Hengyang Petrochemical Logistics Co., Ltd. ⁽²⁾ (People’s Republic of China)	Storage, dispatch and drumming of liquid petrochemical products and management of ports terminal	100	100	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Investments in subsidiaries (Continued)

Unquoted equity investments, at cost (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	
		2014	2013	2014	2013
		%	%	%	%
Held by Jiangyin Foreversun Chemical Logistics Co., Ltd.					
Jiangyin Golden Bridge Transportation Co., Ltd. ⁽²⁾ (People's Republic of China)	Land transportation of petrochemical products	98	98	2	2
Jiangsu Deqiao Storage Co., Ltd. ⁽²⁾ (People's Republic of China)	Storage, dispatch and drumming of liquid and gas petrochemical products	54.92	54.92	-	-
Held by Deqiao Petrochemical Logistics Pte. Ltd.					
Jiangsu Deqiao Storage Co., Ltd. ⁽²⁾ (People's Republic of China)	Storage, dispatch and drumming of liquid and gas petrochemical products	45.08	45.08	-	-
Held by Jiangsu Deqiao Storage Co., Ltd.					
Jingjiang Shuangjiang Ports Co., Ltd. ⁽²⁾ (People's Republic of China)	Management of ports terminals	100	100	-	-

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Investments in subsidiaries (Continued)

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, is presented below:

	HHPL	
	2014	2013
	RMB'000	RMB'000
Revenue	186,783	49,402
Loss before income tax	(2,443)	(9,480)
Income tax expense	(7,466)	(980)
Loss after income tax	(9,909)	(10,460)
Other comprehensive income	(415)	–
Loss allocated to NCI	(3,468)	(3,649)
Other comprehensive income allocated to NCI	(145)	–
Total comprehensive income allocated to NCI	(3,613)	(3,649)
Cash flows from operating activities	11,825	9,293
Cash flows used in investing activities	(371,952)	(133,206)
Cash flows from financing activities	253,362	(7,875)
Net cash outflows	(106,765)	(131,788)
Assets:		
Current assets	151,907	286,854
Non-current assets	1,691,372	1,330,839
Liabilities:		
Current liabilities	(463,318)	(442,327)
Non-current liabilities	(721,956)	(583,995)
Net assets	658,005	591,371
Accumulated non-controlling interests	230,302	206,980

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Investments in subsidiaries (Continued)

Significant restrictions

Cash and bank balances of RMB20,990,000 (2013: RMB91,486,000) held with subsidiaries in the People's Republic of China 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.

7. Trade and other receivables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables - third parties	28,951	25,306	–	–
Notes receivable	231	6,084	–	–
Prepayments	3,596	3,978	42	62
Deposits for land use rights acquisition	402	402	–	–
Other deposits	938	1,147	23	1
Staff advances	782	1,048	–	–
Other receivables	19,254	4,513	–	–
	54,154	42,478	65	63

Trade receivables from third parties are unsecured, non-interest bearing and are generally on credit terms ranging from 30 to 90 days (2013: 30 to 90 days) for most customers and 120 to 180 days (2013: 120 to 180 days) for certain customers. Notes receivable are trade in nature, unsecured, non-interest bearing and mature at varying dates between 25 January 2015 to 11 May 2015 (2013: between 4 January 2014 to 9 June 2014).

All trade receivables are subject to credit risk exposure. The Group did not identify specific concentrations of credit risk with regards to trade and other receivables as the amounts recognised comprise receivables from various customers with relatively different risk profiles.

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

Other receivables comprise mainly input value added tax of RMB19,147,000 (2013: RMB4,028,000).

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Chinese Renminbi	53,935	42,350	–	–
Singapore dollar	119	115	65	63
United States dollar	100	13	–	–
	54,154	42,478	65	63

Notes to the Financial Statements

For the financial year ended 31 December 2014

8. Amount owing by/(to) related parties

Amount owing by related parties

	Group	
	2014	2013
	RMB'000	RMB'000
Trade	1,585	3,231

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

	Group	
	2014	2013
	RMB'000	RMB'000
Chinese Renminbi	1,467	2,663
United States dollar	118	568
	1,585	3,231

Amount owing to related parties

	Group	
	2014	2013
	RMB'000	RMB'000
Current		
- a related party (non-trade)	(19,968)	(19,968)
Non-current		
- a related party (non-trade)	(93,050)	(93,050)
	(113,018)	(113,018)

The current amount owing to a related party is denominated in Chinese Renminbi, unsecured, non-interest bearing and repayable on demand.

During the financial year, the amount of RMB93,050,000 was non-interest bearing, repayable on 31 December 2014 and has been extended to be 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 out of which RMB13,500,000 is secured by a mortgage over the Group's certain property, plant and equipment (Note 4). On 1 January 2015, interest has been revised to be at variable funding cost per annum incurred by related party; and
- (b) RMB63,550,000 is unsecured. On 1 January 2015, interest has been revised to be at 10% above the prevailing prime lending rate per annum set by People's Bank of China.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

Amount owing to related parties (Continued)

In the previous financial year, the amount of RMB93,050,000 consists of:

- (a) RMB29,500,000 bears interest at 8.53% per annum for the financial period from 1 January 2013 to 30 June 2013, of which RMB13,500,000 is secured by a mortgage over the Group's certain property, plant and equipment (Note 4); and
- (b) RMB63,550,000 was unsecured and interest was charged at the prevailing prime lending rate of 6.4% per annum set by People's Bank of China for the financial period from 1 January 2013 to 30 June 2013.

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

The non-current amount is denominated in Chinese Renminbi.

9. Amount owing by/(to) subsidiaries

Amount owing by subsidiaries

	Company	
	2014 RMB'000	2013 RMB'000
Non-trade	6	253
Convertible loan	–	48,489
	6	48,742

The non-trade amount is unsecured, non-interest bearing and repayable upon demand.

In the previous financial year, the conditional convertible loan ("Parent Loan") of RMB50,023,000 was granted to HHPL subject to the terms and conditions of the Subscription Agreement entered on 17 June 2013 (Note 14). The amortised cost of the loan recorded was RMB48,068,000 and the fair value adjustment on the loan of RMB1,955,000 was recorded as investment in subsidiary (Note 6). The Parent loan was entered concurrently with the MEGCIF5 Convertible Loan (Note 14). The terms and conditions include, amongst others, obtaining the relevant approvals, land use rights, licences and loans within a certain timeframe ranging from 12 to 14 months for the project in Chongqing.

During the financial year, the Company and MEGCIF5 have agreed for the terms and conditions to be waived, including the requirement to repay the convertible loan. Accordingly, the Company and MEGCIF5 have converted the entire outstanding amount of the convertible loan of RMB50,023,000 and RMB26,936,000 into 65 and 35 fully paid ordinary shares in the share capital of HHPL respectively (Notes 6 and 14).

Notes to the Financial Statements

For the financial year ended 31 December 2014

9. Amount owing by/(to) subsidiaries (Continued)

The amount is denominated in the following currencies:

	Company	
	2014	2013
	RMB'000	RMB'000
Chinese Renminbi	–	48,489
Singapore dollar	6	253
	6	48,742

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.

10. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	192	97	12	12
Bank balances	60,038	60,474	455	1,854
Fixed deposits	25,096	172,020	–	–
Cash and cash equivalents per statements of financial position	85,326	232,591	467	1,866
Restricted deposits in bank ⁽¹⁾	(2,920)	(42,020)		
Cash and cash equivalents per consolidated statement of cash flows	82,406	190,571		

(1) Restricted deposits in bank are pledged to banks in People's Republic of China.

Notes to the Financial Statements

For the financial year ended 31 December 2014

10. Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	66,222	202,803	–	–
Singapore dollar	18,990	21,057	455	1,854
United States dollar	114	8,731	12	12
	85,326	232,591	467	1,866

The effective interest rates for fixed deposits during the financial year range from 0.55% to 3.00% (2013: 2.80% to 3.00%) per annum and are for a tenure of 3 to 12 months (2013: 6 to 12 months).

11. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables – third parties	14,181	15,022	–	–
Notes payable	2,920	42,020	–	–
Accrued operating expenses	948	435	360	311
Other tax and levy payable	1,218	685	–	–
Amount owing to suppliers of property, plant and equipment	204,780	151,614	–	–
Amount owing to government authority in relation to land use rights	81,689	81,730	–	–
Other payable – third parties	2,399	511	211	41
	308,135	292,017	571	352

Trade payables from third parties are unsecured, non-interest bearing and generally on 30 to 90 days (2013: 30 to 90 days) credit terms.

Notes payable are secured by an equivalent amount of deposits placed in banks, of which RMB1,420,000 (2013: RMB42,020,000) are amount owing to suppliers of property, plant and equipment which are non-trade in nature and RMB1,500,000 (2013: Nil) is trade in nature. These notes payable are non-interest bearing and have maturity dates ranging from 25 January 2015 to 11 May 2015 (2013: from 9 January 2014 to 20 May 2014).

Notes to the Financial Statements

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11. Trade and other payables (Continued)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	307,229	291,506	–	–
Singapore dollar	906	511	571	352
	308,135	292,017	571	352

12. Amount owing to directors

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current (non-trade)	1,502	1,952	1,372	1,822
Non-current (non-trade)	11,143	11,143	–	–
	12,645	13,095	1,372	1,822

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Renminbi	1,014	1,397	884	1,267
Singapore dollar	488	555	488	555
	1,502	1,952	1,372	1,822

The non-current amount owing to a director is denominated in Chinese Renminbi, unsecured and non-interest bearing.

With effect from 1 January 2015, the loan repayment period been extended to 30 June 2018 and will bear interest at the prevailing prime lending rate per annum set by People's Bank of China.

Notes to the Financial Statements

For the financial year ended 31 December 2014

13. 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.

14. Convertible loan

In the previous financial year, the Company entered into a subscription agreement (“Subscription Agreement”) with MEGCIF5, HHPL and Mr Gu Wen Long pursuant to which HHPL issued and MEGCIF5 subscribed for 35 ordinary shares in HHPL representing 35% of the issued and paid-up capital in HHPL upon completion of the Subscription Agreement (“Subscription Shares”) on 25 September 2013.

The aggregate amount of RMB271,250,000 paid by MEGCIF5 under the Subscription Agreement comprised the following:

- (a) an aggregate subscription price of RMB244,310,000; and
- (b) a principal amount of RMB26,936,000 being the MEGCIF5 Convertible Loan advanced by MEGCIF5 to HHPL.

Following the completion of the above, the Company’s shareholding in HHPL was diluted by 35% from 100% to 65%.

The MEGCIF5 Convertible Loan was subject to the terms and conditions of the Subscription Agreement entered on 17 June 2013. The terms and conditions include, amongst others, obtaining the relevant approvals, land use rights, licenses and loans within a certain timeframe ranging from 12 to 14 months for the project in Chongqing. During the financial year, the Company and MEGCIF5 have agreed for the terms and conditions to be waived, including the requirement to repay the convertible loan. Accordingly, the entire outstanding amount of the MEGCIF5 Convertible Loan has been converted into 35 fully paid ordinary shares in HHPL. Upon conversion, the Company’s equity interest in HHPL remains at 65% (Note 9).

MEGCIF5 Convertible Loan is denominated in Chinese Renminbi, non-interest bearing and measured at amortised cost as at the end of the previous financial year.

The carrying amount of the liability component of the convertible loan is derived as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Convertible loan amount	26,109	26,936
Equity conversion component on initial recognition	–	(1,053)
Liability component on initial recognition	26,109	25,883
Finance costs	827	226
Conversion of convertible loan	(26,936)	–
Liability component at end of financial year	–	26,109

Notes to the Financial Statements

For the financial year ended 31 December 2014

15. Bank borrowings

		Group	
	Note	2014 RMB'000	2013 RMB'000
Bank loans (secured)			
- Bank loan I	(a)	370,000	400,000
- Bank loan II	(b)	126,900	118,000
- Bank loan III	(c)	53,700	–
- Bank loan IV	(d)	95,000	–
- Bank loan V	(e)	71,560	–
- Bank loan VI	(f)	15,000	–
		<u>732,160</u>	<u>518,000</u>
Carrying amounts repayable:			
- Within one financial year		129,400	50,900
- After one financial year but within five financial years		562,760	379,300
- After five financial years		40,000	87,800
		<u>602,760</u>	<u>467,100</u>
		<u>732,160</u>	<u>518,000</u>

- (a) Bank loan I is repayable 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, 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 property, plant and equipment as disclosed in Note 4 and land use rights as disclosed in 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 with the first repayment due on 17 June 2014.
- (b) Bank loan II is repayable progressively from July 2013 to September 2019, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun, Jiangsu Deqiao, and mortgages against property, plant and equipment as disclosed in Note 4. 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 with the first repayment on 31 July 2013.
- (c) Bank loan III is repayable progressively from June 2014 to February 2019, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and Jiangsu Deqiao, and personal guarantees furnished by the Chairman and his spouse. In addition, this loan is also secured by mortgages against the land use right as disclosed in Note 5 and the entire equity interest of Wuhan Hengyang owned by HHPL. 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 with the first repayment on 27 June 2014.

Notes to the Financial Statements

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15. Bank borrowings (Continued)

- (d) Bank loan IV is repayable over 8 years till December 2021, secured by corporate guarantees furnished by the Company's subsidiaries, Jiangyin Foreversun and the personal guarantee furnished by the Chairman. In addition, this loan is also secured by mortgages against the property, plant and equipment as disclosed in Note 4 and land use rights as disclosed in Note 5. 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 with the first repayment on 10 June 2014.
- (e) Bank loan V is repayable progressively 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 under construction of Chongqing Hengyang and the entire equity interest of Chongqing Hengyang owned by HHPL. 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 with the first repayment on 20 December 2015.
- (f) Bank loan VI bears interest at 7.8% per annum, repayable in July 2015 and secured by mortgages against the land use right as disclosed in Note 5.

The loans are denominated in Chinese Renminbi and the effective interest rates, which are also equal to contracted interest rates, per annum are as follows:

	2014 %	2013 %
Current portion	6.60 - 7.80	6.77 - 7.21
Non-current portion	6.60 - 7.21	6.77 - 7.21

16. Deferred tax liabilities

	Group	
	2014 RMB'000	2013 RMB'000
Balance as at beginning of financial year	12,702	8,854
Charged to profit or loss (Note 26)	2,301	3,848
Balance as at end of financial year	15,003	12,702

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

16. Deferred tax liabilities (Continued)

Under the Law of PRC, withholding tax of 5% (2013: 5%) is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated statements of comprehensive income in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as at 31 December 2014 and 2013 amounting to approximately RMB120,444,000 and RMB110,465,000 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.

17. Share capital

	Group and Company			
	2014	2013	2014	2013
	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 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 a subsidiary, HHPL, as a result of the new shares issued by HHPL to a non-controlling shareholder. The transaction did not result in a loss in control.

Notes to the Financial Statements

For the financial year ended 31 December 2014

20. Foreign currency translation account

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

21. Revenue

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

	Group	
	2014	2013
	RMB'000	RMB'000
Service fee	67,689	78,012
Transportation fee	119,094	48,979
	<u>186,783</u>	<u>126,991</u>

22. Other income

	Group	
	2014	2013
	RMB'000	RMB'000
Interest income		
- fixed deposits	3,498	490
- a related party	–	207
Government incentive received	4	–
Gain on disposal of plant and equipment	83	–
Sundry income	1,563	2,257
	<u>5,148</u>	<u>2,954</u>

In the current financial year, sundry income included service fee of RMB878,000 (2013: RMB1,500,000) received from the local Port Authority for collecting port fees from customers on behalf of the Authority.

Notes to the Financial Statements

For the financial year ended 31 December 2014

23. Finance costs

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expense		
- bank borrowings	18,185	30,549
- convertible loan	827	226
- related parties	–	2,946
	19,012	33,721
Amount capitalised in construction-in-progress (Note 4)	(17,713)	(30,836)
	1,299	2,885

24. Loss before income tax

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

	Group	
	2014	2013
	RMB'000	RMB'000
Other taxes and levies ⁽¹⁾	3,041	1,959
Depreciation of property, plant and equipment	26,311	23,276
Amortisation of land use rights	1,387	1,245
Employee benefit costs (including of directors' fees)	24,274	18,503
Foreign exchange loss, net	56	4,780
(Gain)/Loss on disposal of plant and equipment	(83)	48
Loss on plant and equipment written off	–	8
Professional fees in relation to restructuring exercise	–	7,887
Audit fees paid to		
- auditor of the Company	464	444
- other auditors	360	350
Non-audit fees paid to		
- auditor of the Company	20	61
- other auditors	368	36
Operating lease rental	301	253

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

25. Employee benefit costs

	Directors' remuneration RMB'000	Other key management personnel RMB'000	Other staff RMB'000	Total RMB'000
Group				
2014				
Directors' fees				
- Directors of the Company	1,231	–	–	1,231
Salaries and related costs	1,570	3,150	22,527	27,247
Defined contribution plans	61	215	3,411	3,687
	<u>2,862</u>	<u>3,365</u>	<u>25,938</u>	<u>32,165</u>
2013				
Directors' fees				
- Directors of the Company	1,268	–	–	1,268
Salaries and related costs	1,323	2,034	16,986	20,343
Defined contribution plans	52	81	1,903	2,036
	<u>2,643</u>	<u>2,115</u>	<u>18,889</u>	<u>23,647</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	
	2014	2013
	RMB'000	RMB'000
Employee benefit costs charged to:		
- Cost of sales	9,840	8,925
- Administrative and other expenses	14,434	9,578
	<u>24,274</u>	<u>18,503</u>
- Capitalised in construction-in-progress	7,891	5,144
	<u>32,165</u>	<u>23,647</u>

Notes to the Financial Statements

For the financial year ended 31 December 2014

26. Income tax expense

	Group	
	2014	2013
	RMB'000	RMB'000
Current income tax	5,163	2,448
Deferred tax (Note 16)	2,301	3,848
	7,464	6,296
Under-provision of current income tax in respect of prior year	2	49
	7,466	6,345

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% (2013: 25%) on the Group's profits as a result of the following:

	Group	
	2014	2013
	RMB'000	RMB'000
Loss before income tax	(5,091)	(10,228)
Tax at statutory rate	(1,273)	(2,557)
Tax effect of different tax rate in other country	284	1,420
Tax effect on non-deductible expenses	1,657	5,421
Tax effect of income not subject to tax	(3)	(37)
Deferred tax asset not recognised for current financial year	7,009	2,127
Under-provision of current income tax in respect of prior year	2	49
Tax exemption	(201)	(78)
Others	(9)	–
	7,466	6,345

Subject to the agreement by relevant tax authorities, at the end of the financial year, the Group had unutilised tax losses of approximately RMB54,175,000 (2013: RMB26,144,000) available for offset against future profits.

Notes to the Financial Statements

For the financial year ended 31 December 2014

26. Income tax expense (Continued)

The expiry dates for these unutilised tax losses are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
2016	3,824	3,824
2017	14,096	14,096
2018	8,224	8,224
2019	28,031	–
	<u>54,175</u>	<u>26,144</u>

It is not probable 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.

Tax exemption

In the financial year 2010, the subsidiary, Jingjiang Shuangjiang obtained a tax holiday exemption where according to the PRC's taxation law, any enterprise with foreign investment of a production nature scheduled to operate for not less than ten years shall, from the first profitable year, be exempted from income tax in the first to third year and allowed a fifty percent reduction in the fourth to sixth year. The subsidiary has been granted such incentive for the financial years from years 2010 to 2015.

27. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2014	2013
Loss after income tax attributable to owners of the parent (RMB'000)	<u>(9,129)</u>	<u>(12,633)</u>
Weighted average number of ordinary shares in issue during the financial year applicable to basic earnings per share ('000)	<u>203,462</u>	<u>203,462</u>
Earnings per share (in cents)		
- Basic	<u>(4.49)</u>	<u>(6.21)</u>
- Diluted	<u>(4.49)</u>	<u>(6.21)</u>

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

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28. Commitments

- (a) As at the end of the financial year, the Group had capital commitment in respect of acquisition of property, plant and equipment and land use rights of approximately RMB251,798,000 (2013: RMB112,457,000) and RMB24,000,000 (2013: RMB24,000,000) that had been contracted but not provided for.

The capital commitment is progressively payable based on the stages of completion of the relevant construction projects and will spread over a period of not lesser than twelve months.

- (b) 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	
	2014	2013
	RMB'000	RMB'000
Future minimum lease payments payable:		
Within one financial year	302	246
After one year but within five financial years	237	339
	539	585

The Group leases a number of premises and equipment under operating leases. Leases are negotiated for an average term of 1 to 5 years (2013: 1 to 5 years) and rentals are fixed for an average of 1 to 5 years (2013: 1 to 5 years). These leases have no escalation clauses, restriction and do not provide contingent rents. There is an option to renew the agreements for the above operating leases.

29. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint venture of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Financial Statements

For the financial year ended 31 December 2014

29. Significant related party transactions (Continued)

A related party is defined as follows: (Continued)

- (b) An entity is related to the Group and the Company if any of the following conditions applies: (Continued)
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

	2014 RMB'000	2013 RMB'000
Group		
<i>Sales to related parties</i>	26,279	28,270
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note (a))	22,580	22,795
- Shanghai Kangyang Petrochemical Co., Ltd. (Note (b))	980	798
- Wuhan Kangyang Petrochemical Co., Ltd. (Note (b))	103	–
- Jiangyin Saisheng New Material Co., Ltd. (Note (b))	1,466	74
- Golden Hope Industrial Co., Ltd. (Note (c))	1,150	4,603
<i>Consultancy service fees paid/payable to a director of the Company</i>	–	1,590
<i>Other income - interest income received from a related party</i>		
- Jiangyin Jinqiao Land Co., Ltd. (Note (d))	–	207
<i>Interest expense charged by related party</i>		
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note 8)	–	2,946
<i>Acquisition of non-controlling interest from related party</i>		
- Jiangyin Golden Bridge Chemical Co., Ltd. (Note 6)	–	60,435
Company		
<i>Loan from a subsidiary</i>		
- Hengyang Holding Pte. Ltd.	2,755	8,612

- (a) This relates mainly to provision of petrochemical storage services and land transport services to Jiangyin Golden Bridge Chemical Co., Ltd. (“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) Jiangyin Jinqiao Land Co., Ltd. is controlled by Ms Sun Fang.

Notes to the Financial Statements

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30. Segment information

For management purposes, 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.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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. Group income taxes are managed on a group basis and are not allocated to operating 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.

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30. Segment information (Continued)

	Service		Transportation		Development stage		Others		Elimination		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	67,669	78,012	119,094	48,979	-	-	-	-	-	-	186,783	126,991
Segment results	(682)	8,368	4,581	1,719	(5,260)	(3,067)	(5,929)	(15,060)	-	-	(7,290)	(8,040)
Interest income	294	476	-	4	-	-	4,739	638	(1,535)	(421)	3,498	697
Finance costs	-	(2,658)	(473)	-	-	-	(2,361)	(648)	1,535	421	(1,299)	(2,885)
Operating (loss)/profit	(388)	6,186	4,108	1,723	(5,260)	(3,067)	(3,551)	(15,070)	-	-	(5,091)	(10,228)
Income tax expense	(6,208)	(5,904)	(1,053)	(441)	-	-	(205)	-	-	-	(7,466)	(6,345)
Net (loss)/profit for the financial year	(6,596)	282	3,055	1,282	(5,260)	(3,067)	(3,756)	(15,070)	-	-	(12,557)	(16,573)
Segment assets	1,213,454	1,120,732	57,117	41,595	892,465	673,044	928,075	926,674	(1,258,639)	(1,152,856)	1,832,472	1,609,189
Segment liabilities	769,583	675,418	40,922	28,701	601,667	450,835	13,585	85,589	(255,297)	(273,802)	1,170,460	966,741
Other information:												
Capital expenditure	201,496	248,795	27	6,530	192,956	359,008	-	56	-	-	394,479	614,389
Depreciation of property, plant and equipment	24,208	21,986	1,812	1,090	277	186	14	14	-	-	26,311	23,276
Amortisation charge of land use rights	1,387	1,245	-	-	-	-	-	-	-	-	1,387	1,245

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30. Segment information (Continued)

Reportable segments assets are reconciled to total assets as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Segment assets	1,832,472	1,609,189
Current income tax recoverable	6	1,871
Total assets	1,832,478	1,611,060

Reportable segments liabilities are reconciled to total liabilities as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Segment liabilities	1,170,460	966,741
Deferred tax liabilities	15,003	12,702
Current income tax payable	1,746	312
Total liabilities	1,187,209	979,755

The revenue from one customer of the Group's service and transportation segment represent approximately RMB86,814,000 (2013: RMB22,795,000).

31. Financial risk management objectives and policies

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risks (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies and evaluates financial risks in close co-operation with the Group's operating units.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures risk. 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.

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31. Financial risk management objectives and policies (Continued)

31.1 Interest rate risk (Continued)

The Group's interest rate risk arises mainly from bank borrowings and amount due from a related party. The interest rates and terms of repayment of non-current amount owing to a related party and the bank borrowings are disclosed in Notes 8 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 (2013: 50 basis points) lower/higher with all other variables held constant, the Group's profit net of tax would have been RMB23,000 (2013: RMB206,000) 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 transacts business in various foreign currencies, including United States dollar ("USD") and Singapore dollar ("SGD") and hence is exposed to foreign currency risks. 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 are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Monetary assets				
Singapore dollar	19,013	21,275	484	2,108
United States dollar	332	8,744	12	12
	<u>19,345</u>	<u>30,019</u>	<u>496</u>	<u>2,120</u>
Monetary liabilities				
Singapore dollar	<u>(1,394)</u>	<u>(1,067)</u>	<u>(12,425)</u>	<u>(9,519)</u>

The Group is mainly exposed to Singapore dollar ("SGD") and United States dollar ("USD").

The following table details the Group's sensitivity to a 5% (2013: 5%) changes in USD and SGD against RMB. The sensitivity analysis assumes an instantaneous 5% (2013: 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, including trade and other receivables (excluding prepayments), cash and cash equivalents, trade and other payable, amount owing to directors and amount owing to a subsidiary which are denominated in USD and SGD are included in the analysis.

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31. Financial risk management objectives and policies (Continued)

31.2 Foreign currency risk (Continued)

	← Increase/ (Decrease) in Profit or Loss →			
	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
SGD				
Strengthens against RMB	881	1,010	(597)	(371)
Weakens against RMB	(881)	(1,010)	597	371
USD				
Strengthens against RMB	17	437	1	1
Weakens against RMB	(17)	(437)	(1)	(1)

31.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

The Group has in place a credit management policy which includes a credit assessment for all the existing customers on an annual basis, and approved by the head of sales department together with the accountants, the General Manager (“GM”) or Board of Directors. Before executing a business contract, the sales department will evaluate the potential customers and prepare such a credit assessment report. The customers are evaluated by the sales department based on their payment track record, financial background, the length of the business relationship between the customers and the Group and market practice. Subject to special requirements and needs of the customers, grace periods may however be granted. The Group will however ensure that the credit limit granted to customers will be within 20% of the value of the goods based on the prevailing market rates, that the customers has stored with the Group. In any case, customers are required to settle all outstanding debts with the Group before the Group will release their products which are in storage.

Grace periods within a three months’ time frame will require the prior approval of the GM. Grace periods exceeding three months will require the prior approval of the Board of Directors of the Group. The grace periods shall not exceed six months.

In addition, the Group maintains contact with the existing customers on a regular basis. The Group will communicate with the customers via tele-conversations on a quarterly basis as well as make regular half yearly visits to the customers. This allows the Group to receive timely updates from the customer. The credit record of each customer is prepared in two copies, one to be maintained by the sales department and the other to be maintained by the finance department.

For new customers, a credit assessment is made prior to the first purchase order.

As the Group and the Company do not require any collateral in respect of financial assets, 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 statements of financial position.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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	
	2014	2013
	RMB'000	RMB'000
Past due over 1 month but less than 3 months	–	158
	–	158

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 2014					
Trade and other payables	–	306,917	–	–	306,917
Amount owing to related parties	7.21	22,093	8,502	139,408	170,003
Amount owing to directors	6.40	1,502	13,639	–	15,141
Amount owing to a former shareholder of a subsidiary	–	4,502	–	–	4,502
Bank borrowings	6.60 – 7.80	175,094	656,990	42,016	874,100
		510,108	679,131	181,424	1,370,663

Notes to the Financial Statements

For the financial year ended 31 December 2014

31. Financial risk management objectives and policies (Continued)

31.4 Liquidity risk (Continued)

	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 2013					
Trade and other payables	–	291,332	–	–	291,332
Amount owing to related parties	6.40 - 8.53	19,968	93,050	–	113,018
Amount owing to directors	–	1,952	11,143	–	13,095
Amount owing to a former shareholder of a subsidiary	–	4,502	–	–	4,502
Convertible loan	3.48	26,109	–	–	26,109
Bank borrowings	6.77 - 7.21	53,267	469,290	116,101	638,658
		397,130	573,483	116,101	1,086,714

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 bank 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 at 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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Trade and other receivables, excluding prepayment and input value added tax	31,411	34,472	23	1
Amount owing by related parties	1,585	3,231	–	–
Amount owing by subsidiaries	–	–	6	48,742
Cash and cash equivalents	85,326	232,591	467	1,866
Total loans and receivables	118,322	270,294	496	50,609

Notes to the Financial Statements

For the financial year ended 31 December 2014

32. Fair values of financial assets and financial liabilities (Continued)

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade and other payables, excluding other tax and levy payable	306,917	291,332	571	352
Amount owing to related parties	113,018	113,018	–	–
Amount owing to directors	12,645	13,095	1,372	1,822
Amount owing to a subsidiary	–	–	11,367	8,612
Amount owing to a former shareholder of a subsidiary	4,502	4,502	–	–
Convertible loan	–	26,109	–	–
Bank borrowings	732,160	518,000	–	–
Total financial liabilities at amortised cost	1,169,242	966,056	13,310	10,786

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 accumulated profits.

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 2013.

The subsidiaries of the Group are required by banks to maintain the following financial covenants:

- (a) a gearing ratio not exceeding 70% (2013: 70%) and a minimum tangible net assets not less than RMB220 million (2013: RMB220 million).
- (b) a gearing ratio not exceeding 80% (2013: Nil).

Notes to the Financial Statements

For the financial year ended 31 December 2014

33. Capital management (Continued)

	Group	
	2014 RMB'000	2013 RMB'000
Net debt	1,085,134	734,150
Equity attributable to equity holders of the Company	414,731	424,130
Total capital	1,499,865	1,158,280
Gearing ratio (%)	72	63

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 reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2013 and 2014.

Other than above, there is no other externally imposed capital requirements to the Group for the financial years ended 31 December 2014 and 2013.

Statistics of Shareholdings

As at 20 March 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	182	47.77	2,396	0.00
100 – 1,000	43	11.29	26,877	0.01
1,001 – 10,000	71	18.63	295,374	0.15
10,001 – 1,000,000	71	18.64	7,462,436	3.67
1,000,001 and above	14	3.67	195,674,800	96.17
TOTAL	381	100.00	203,461,883	100.00

The Company has no treasury shares as at 20 March 2014.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES	%
1	FOREVER SUN HOLDINGS CO., LTD	94,100,000	46.25
2	INTEGRATED LOGISTICS (HK) LTD	52,500,000	25.80
3	BANK OF SINGAPORE NOMINEES PTE. LTD. ⁽¹⁾	20,000,000	9.83
4	RAFFLES NOMINEES (PTE) LIMITED	9,795,000	4.81
5	OCBC SECURITIES PRIVATE LIMITED	3,524,005	1.73
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	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,709,695	0.84
11	LI YI	1,700,000	0.84
12	HONG LEONG FINANCE NOMINEES PTE LTD	1,350,000	0.66
13	FU XINRONG	1,250,000	0.61
14	OILTANKING ASIA PACIFIC PTE LTD	1,062,500	0.52
15	JIANG JIAN	771,750	0.38
16	DBS NOMINEES (PRIVATE) LIMITED	510,180	0.25
17	CHOW CHIN YANN	396,250	0.19
18	TAY GUAN KEE	382,000	0.19
19	DIONG TAI PEW	354,000	0.17
20	SAMUEL NG CHEE YONG (SAMUEL WU ZHIYONG)	337,000	0.17
	TOTAL	198,425,980	97.51

Note:

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

Statistics of Shareholdings

As at 20 March 2015

Name of Substantial Shareholder	DIRECT INTEREST		DEEMED INTEREST	
	NUMBER OF SHARES	%	NUMBER OF SHARES	%
Foreversun Holdings Co., Ltd ⁽¹⁾	114,100,000	56.08	–	–
Integrated Logistics (H.K.) Ltd	52,500,000	25.80	–	–
Gu Wen Long ⁽²⁾	–	–	114,100,000 ⁽²⁾	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 Bank of Singapore Nominees Pte. Ltd.
- (2) 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 Companies 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, 16.98% 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 Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hengyang Petrochemical Logistics Limited (the “**Company**”) will be held at Tulip Room, Level 1, The Chevrons, 48 Boon Lay Way Singapore 609961, on 22 April 2015 at 10:00 am 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 2014, together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect Gu Wen Long being a Director who retires pursuant to Article 91 of the Company’s Articles of Association. **[Explanatory Note 1] (Resolution 2)**
3. To re-elect Diong Tai Pew being a Director who retires pursuant to Article 91 of the Company’s Articles of Association. **[Explanatory Note 2] (Resolution 3)**
4. To approve the payment of Directors’ Fees of S\$255,700 for the financial year ending 31 December 2015. **[Explanatory Note 3] (Resolution 4)**
5. To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2015 and to authorize the Directors of the Company to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS:

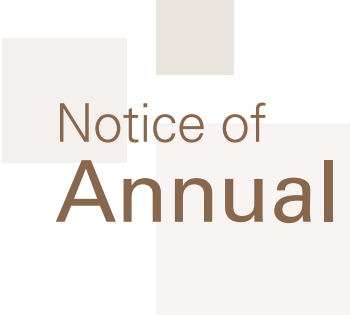
To consider and if deemed fit to pass the following Ordinary Resolutions with or without modifications:

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 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 Articles of Association 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)**

Notice of Annual General Meeting

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 Catalyst) (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 Audited Accounts for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors and the Statement by Directors dated 30 March 2015 (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
- (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, 7 April 2015

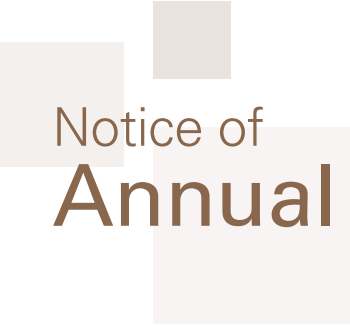
Notice of Annual General Meeting

Explanatory Notes:

- (1) **Resolution 2** – Mr Gu Wen Long, if re-elected, will remain as the Company's Executive Chairman and Chief Executive Officer.
- (2) **Resolution 3** – Mr Diong Tai Pew, if re-elected, will remain as the Chairman of the Audit Committee and Lead Independent Director of the Company.
- (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 2015 ("FY2015"). Should any Director hold office for only part of FY2015 and not the whole of FY2015, 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 member 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 and vote in his stead. A proxy need not be a member of the Company.
2. 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. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
3. 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.
4. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
5. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.



Notice of Annual General Meeting

6. 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).
7. 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.
8. 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 48 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.

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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 **Tulip Room, Level 1, The Chevrans, 48 Boon Lay Way Singapore 609961, on 22 April 2015 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 2014, together with the Reports of the Directors and Auditors thereon.		
Resolution 2	To re-elect Gu Wen Long being a Director who retires pursuant to Article 91 of the Company’s Articles of Association.		
Resolution 3	To re-elect Diong Tai Pew being a Director who retires pursuant to Article 91 of the Company’s Articles of Association.		
Resolution 4	To approve the payment of Directors’ Fees of S\$255,700 for the financial year ending 31 December 2015.		
Resolution 5	To re-appoint Messrs BDO LLP as Auditors of the Company for the financial year ending 31 December 2015 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 _____ 2015

Total Number of Shares held in:	
CDP Register	
Register of Members	

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

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 130A of the Companies Act, Cap. 50), 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 member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
4. 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.
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, Cap. 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 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Hengyang Petrochemical Logistics Limited

Principal place of business:

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Jiangsu Province, PRC 214446

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Email: contact@hyplc.com